ALLY FINANCIAL INC.
AMERICAN HONDA FINANCE CORPORATION
AMERICREDIT CORP.
BMW US CAPITAL, LLC
CARMAX, INC.
CHRYSLER FINANCIAL SERVICES AMERICAS LLC
DCFS USA LLC (D/B/A MERCEDES BENZ FINANCIAL)
FORD MOTOR CREDIT COMPANY LLC
HARLEY-DAVIDSON FINANCIAL SERVICES, INC.
HYUNDAI CAPITAL AMERICA
NAVISTAR FINANCIAL CORPORATION
NISSAN MOTOR ACCEPTANCE CORPORATION
SANTANDER CONSUMER USA INC.
TOYOTA MOTOR CREDIT CORPORATION
VW CREDIT, INC.
WORLD OMNI FINANCIAL CORP.

August 2, 2010

By Email: rule-comments@sec.gov

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Proposed Rules for Asset-Backed Securities
(Release Nos. 33-9117; 34-61858; File No. S7-08-10)

Dear Ms. Murphy:

The finance companies listed above ("we" or the "Vehicle ABS Sponsors") submit this letter to comment on the releases of the Securities and Exchange Commission (the "Commission") identified above (the "Proposal") with respect to asset-backed securities ("ABS"), by reference both to the commentary on the Proposal (the "Commentary") and the text of the proposed amendments. The Vehicle ABS Sponsors provide financing for automobiles, trucks and motorcycles (collectively, "vehicles"). We fund our businesses in part through the issuance of ABS backed by our vehicle-related assets ("Vehicle ABS"). We focus in this letter on issues that are of particular interest to us as active issuers of Vehicle ABS.

We appreciate the initiative of the Commission in promulgating the Proposal. We recognize that improvements can be made to the securitization process. We broadly support the Commission's goals of increasing transparency in the ABS market and providing investors with timely and material information.

The Financial Crisis and ABS Reform

We recognize that the financial crisis exposed flaws in certain sectors of the ABS market. In particular, it became evident that problematic practices arose in the origination of certain types of residential mortgage and home equity loans and the design of ABS backed by those loans (which we will collectively refer to as "RMBS") and collateralized debt obligations backed principally by RMBS ("RMBS CDOs").

In contrast to RMBS and RMBS CDOs, Vehicle ABS have performed very well throughout the history of the securitization markets. Vehicle ABS represented a large portion of ABS issuance that utilized the Term Asset-Backed Securities Loan Facility. Today, the Vehicle ABS market is the most vibrant portion of the overall ABS market in the United States.

We are deeply concerned that a number of the reforms in the Proposal will have unintended consequences and will erect significant deterrents to the continued issuance of Vehicle ABS in public offerings and Rule 144A transactions.[1] These reforms, coupled with other regulatory initiatives, will materially reduce the utility of term ABS as a funding source. It is our view that adoption of the Proposal without significant changes would cause us to reduce dramatically the amount of term ABS that we would collectively issue.

We note, too, that the Proposal does not exist in a vacuum. There are currently a great many reform initiatives that have been implemented or are going to be implemented that are increasing the difficulty of completing securitizations. These initiatives include the following:

- The Dodd-Frank Wall Street Reform and Consumer Protection Act, under which:
  - multiple regulations involving ABS, rating agencies and derivatives will be issued
  - the Bureau of Consumer Financial Protection will be established
- The Commission's Rule 17g-5
- The likely adoption by the Federal Deposit Insurance Corporation of a much more burdensome safe harbor for ABS issuance by banks, which we think will have a spillover effect on non-bank issuers
- The adoption of Statements of Financial Accounting Standards Nos. 166 and 167, which, for banks sponsoring commercial paper conduits, will change the risk-based capital treatment of the assets in their conduits

If Vehicle ABS Sponsors reduce their use of term ABS because the requirements for ABS issuance become too expensive and too burdensome, the losers will not just be those sponsors. Investors will have fewer investment opportunities in asset classes that have consistently demonstrated their soundness, even in times of economic distress and market disruption. Of even greater concern, our individual and business customers will likely face a

[1] Throughout this letter, we will use "term transactions" to mean public offerings and Rule 144A offerings of ABS in the United States. We will also use "term ABS" to mean ABS issued in such offerings.

more constricted credit market, meaning that they will have fewer financing options and higher costs for purchasing or leasing vehicles. Vehicle dealers, which constitute a large number of the nation's small businesses, will also face restrained and more expensive credit in financing their vehicle inventory and assisting their customers with financing choices. In turn, the vehicle manufacturers whose sales we support will likely be able to sell fewer vehicles, which will harm job growth, investment and the economy. The auto industry has not fully recovered from the recession, and annual vehicle sales are far below pre-crisis levels.

We strongly support the goal of creating a sustainable securitization market. We want to continue our term ABS issuance, and we want to provide investors with all material information needed to make informed investment decisions. We understand that more information is appropriate. But we do not have an unlimited capacity to provide that information, to develop new reporting systems or to devise computer programs for use by investors. Nor will we provide information that could allow others to ascertain our proprietary credit scoring models or put us at a competitive disadvantage. We believe that the Proposal imposes too great a burden on issuers, thereby jeopardizing future term issuance of Vehicle ABS. We respectfully request that the Commission take a more balanced approach.

Background on Vehicle ABS Sponsors

The Vehicle ABS Sponsors are the 16 finance companies listed at the top of this letter. We include all of the captive finance companies of the major automobile and motorcycle manufacturers, leading independent auto finance companies and the leading issuer of ABS backed by medium and heavy duty trucks. The group includes issuers of prime and subprime auto ABS. Full-service banks, which have highly diversified portfolios of assets of which auto loans and leases represent a relatively small part, are the only significant ABS sponsors who currently securitize auto loans that are not included in this group.

All of the Vehicle ABS Sponsors use the term ABS market for some portion of their funding. We issue Vehicle ABS to diversify our funding channels and investor base. The term ABS market is an attractive and reliable source of funding for this group. Many of us are frequent issuers, while others issue more selectively. But all of us believe that it is critically important to have a deep and liquid term securitization market that can be accessed readily by Vehicle ABS Sponsors.

The ABS issued by all of the Vehicles ABS Sponsors other than Navistar Financial is conventionally considered to be auto ABS, and the ABS issued by Navistar Financial is grouped in the equipment category. We believe those categorizations are correct, and for clarity we use them in this letter.

The term ABS we issue constitutes a significant portion of the overall ABS market in each of our asset classes in the United States, as demonstrated by the following table:

Issuance Levels in Vehicle Term ABS Sectors in U.S. Market (Jan. 1, 2008 - June 30, 2010)($ billions)			
Sector	**Vehicle ABS Sponsors**	**Total Issuance**	**Vehicle ABS Sponsors %**
Prime Retail Auto	65.1	90.0	72.3%
Subprime Retail Auto	6.3	8.4	75.2%
Auto Lease	12.5	12.5	100.0%
Auto Floorplan	9.0	9.0	100.0%
Retail Equipment	1.0	14.6	6.7%
Equipment Floorplan	0.6	2.2	26.8%
Retail Motorcycle	3.0	3.0	100.0%

Source: Bank of America Merrill Lynch

Retail loans,[2] leases and floorplan loans backed by vehicles have been securitized for a long time. Some members of our group have been issuing ABS for over 20 years. During that time, the performance of the ABS we have issued has been exemplary.

We can state categorically that every matured term ABS—including non-investment grade ABS—that has been issued by any Vehicle ABS Sponsor has repaid all principal and interest in full. We expect the same will be true for all currently outstanding term ABS that we have issued. We consider this performance to be noteworthy, given the period of time over which ABS issuance has occurred and the varying economic conditions during that period.

Our ABS have demonstrated excellent performance on a sustained basis. None of our term transactions has ever:

- had a servicer replaced, other than when the servicer was acquired by another company (in which case, the acquirer became the servicer); or
- had an event of default occur; or
- with one exception,[3] had an amortization event occur in a floorplan transaction as a result of problems with pool performance

None of the ABS we have issued has missed any payments. In the auto ABS sector, there have been many more upgrades than downgrades as a result of asset performance and conservative deal structures. During the period from January 1, 2001 through June 4, 2010, Standard & Poor's issued 624 upgrades of classes of retail auto loan ABS, compared to just 35

[2] In fact, only a small portion of retail financing in the vehicle financing markets are direct loans to vehicle purchasers; almost all retail financing is documented using retail installment sales contracts. However, we will use the terminology of "retail loans" in this letter, as it is more consistent with the terminology of the Proposal.
[3] One floorplan ABS issued by a Vehicle ABS Sponsor went into early amortization as a result of its payment rate dropping below a specified level. In that transaction, all investors were paid in full. Amortization events are relevant only to floorplan ABS transactions; there is no such corresponding concept in term ABS transactions involving retail loans or leases.

downgrades for pool credit related reasons.[4] Standard & Poor's has also informed us that there have been zero defaults on prime auto retail loan ABS since Standard & Poor's started rating auto ABS in 1985.

This consistent performance has earned us a loyal following among investors, who have been consistent purchasers of our ABS even in times of economic distress and market disruption. We have been frequent ABS issuers throughout the business cycle. A few years ago, our ABS was an important, though not dominant, part of the ABS market. For example, in 2005, all auto ABS (including all issuers, not just the Vehicle ABS Sponsors) represented approximately 13% of the overall U.S. term ABS market.[5]

Since the onset of the financial crisis, auto ABS has become the most active part of the U.S. term ABS market. The following table shows ABS issuance for the past two and a half years:

Issuance Levels in Total U.S. Term ABS Market by Asset Class (Jan. 1, 2008 - June 30, 2010)($ billions)		
Category	**Total Issuance**	**Market Share**
Prime Auto Retail	90.0	24.3%
Subprime Auto Retail	8.4	2.3%
Auto Lease	12.5	3.4%
Auto Floorplan	9.0	2.4%
Auto - Other	9.0	2.4%
Subtotal: All Auto	**128.9**	**34.7%**
All Equipment	16.9	4.5%
Credit Card	109.1	29.4%
Student Loan	61.4	16.6%
CMBS	24.7	6.7%
RMBS	10.0	2.7%
All Other	20.1	5.4%
TOTAL	**371.2**	**100.0%**

Source: Bank of America Merrill Lynch

In 2010, the dominance of Vehicle ABS is even more notable. Vehicle ABS issuance through July 31st totals $38.5 billion out of a total ABS issuance of $64.3 billion, which represents approximately 60% of the overall U.S. term ABS market.[6] In contrast, the RMBS sector has had just a trickle of new issuance and no issuance has occurred in the RMBS CDO sector.

We regard the market-leading level of auto ABS issuance as a testament to the soundness of our transactions. We continue to enjoy strong investor demand for our ABS. For prime auto ABS transactions this year, pricing spreads have largely returned to the levels at which we priced ABS prior to the financial crisis. Prime auto ABS issuance volume, as a percentage of new

[4] Downgrades due to the downgrade of a credit support provider (such as a monoline insurer) are not included in this data.
[5] Source: JPMorgan Securities, Inc.
[6] Source: JPMorgan Securities, Inc.

vehicle sales, is at the same level as it was prior to the financial crisis. The subprime auto ABS market has also recovered, though not yet to pre-crisis levels. All of us want to continue to issue term ABS, and we believe investors want to continue to purchase our term ABS. But our overall term issuance will likely decline if the demands of the process are too great.

Comments on the Proposal

We have the following comments on the Proposal:

I. Securities Act Registration

A. Rule 424(h)

The Vehicle ABS Sponsors agree that investors in every type of securities offering should be provided adequate time to review and analyze the information made available to them in making their investment decision. However, we do not believe that a mandatory five business day waiting period is either necessary or appropriate to accomplish this goal in connection with Vehicle ABS shelf offerings. The current practice in Vehicle ABS public offerings generally is to provide investors with a preliminary prospectus two business days prior to the pricing of the transaction. This period may be longer in cases where the offered security has unusual features or where the sponsor has not offered securities of that asset class before or in a substantial period of time. This period may be shorter if the transaction is similar to a recently completed transaction.

It is the experience of the Vehicle ABS Sponsors that investors have the resources and expertise to quickly and fully review and analyze transactions prior to the commencement of an offering. It is also our experience that when investors believe that they need additional time or information, investors make such requests, and the sponsors are responsive to those requests. If investors do not receive the information they want or are not provided with adequate time to analyze the transaction, the transaction is delayed. Therefore, the Vehicle ABS Sponsors believe that current market practices provide investors with ample time, and we do not believe that a statutorily mandated minimum waiting period is necessary. If it is decided that a mandatory waiting period is required, it should not exceed two business days with respect to initial filings and one business day with respect to material amendments to such filings. Imposing longer waiting periods would provide only marginal benefits, if any, to investors and would place significant burdens and risks on both issuers and investors.

Shelf registrations are intended to give issuers access to the capital markets faster than would be available using non-shelf registration statements, which allows issuers to take advantage of favorable market conditions. The additional requirements for use of a shelf registration statement were designed to ensure that investors had information and time to analyze the general terms of the transaction prior to the initiation of a particular offering. Excessively long waiting periods will unnecessarily delay the consummation of transactions. During these delays, market conditions may change to the detriment of the issuers and/or the investors or the transaction could fail to execute. In addition, during the delay, other issuers may try to capitalize on the marketing efforts of the delayed transaction to the detriment of the delayed parties.

We believe that ABS shelf offerings are less complicated and risky than typical initial public offerings of non-ABS securities. Non-ABS initial public offerings may be speculative in nature, very little data may have been available with respect to the issuer, the structure and the transaction prior to the commencement of the offering, and extensive analysis may be necessary to evaluate and understand fully the risks involved in such an offering. On the other hand, most Vehicle ABS offerings are made by seasoned sponsors or issuers. These offerings often have structures, provisions and pool characteristics that are consistent with prior offerings, and static pool data regarding prior similar transactions is provided to investors. In addition, under existing law, new registration statements or post-effective amendments are already required to be filed in specified circumstances, such as where there is a fundamental change to the offered security or there are structural features present that were not contemplated in the base prospectus. Unlike ABS, typical non-ABS initial public offerings often involve relatively new and untested businesses, and the prospects for those businesses are far more difficult to predict. We note that even in those transactions, the required waiting period is only 48 hours.

Similarly, the Vehicle ABS Sponsors believe that a mandatory five business day waiting period after material changes is much too long. If an additional waiting period is needed, it should not exceed one business day and in certain instances no waiting period should be required. If investors are only reviewing and analyzing changes to a previously available offering document, one business day should provide more than adequate time. In addition, there are many amendments that would require even less time to review and analyze. Therefore, the Vehicle ABS Sponsors propose that only material changes that significantly affect the asset pool, the cashflows or the transaction structure (which should explicitly exclude changes to size transactions to market demand) be subject to a mandatory waiting period of not more than one business day. No mandatory waiting period should be required for changes that do not meet that threshold or are otherwise not material.

The Vehicle ABS Sponsors also believe that mandatory waiting periods should not apply to certain types of offerings because of their frequency and nature. Many ABS shelf offerings involve transactions with sponsors that are well known in the market place and that frequently offer securities with structures and terms that are consistent with prior offerings. The Vehicle ABS Sponsors propose that any mandated waiting period for ABS shelf offerings in the final rules not apply where the sponsor, its parent or a subsidiary has completed at least one public offering within the preceding two years of securities in the same asset class and where the cashflows and structure of the offered securities are substantially similar to a prior public offering. In these types of offerings, investors would have had sufficient opportunity to review and analyze the prior transactions and very little time should be necessary to adequately review and analyze the new offering.

B. Shelf Eligibility

1. Risk Retention

a. Overview

The Vehicle ABS Sponsors agree that when a party originates receivables but retains no risk when they are securitized, then that party will have reduced incentive to originate high quality receivables. We also agree that when a sponsor keeps "skin in the game," interests between the securitization's participants—the originator, the sponsor, the servicer—and its investors are more aligned and investors will benefit from a well-structured and properly managed transaction. Therefore, protecting investors by requiring that sponsors retain ongoing economic interests in their securitizations is logical, effective and, under the right conditions, efficient.

We also agree with the economic research cited in the Commentary that "vertical slice" risk retention[7] may be appropriate for the "originate-to-distribute" business model. We note, however, that none of the Vehicle ABS Sponsors has ever followed this model and we do not agree that the proposed "vertical slice" risk retention is appropriate or necessary for vehicle securitizations. We strongly believe that the risk retention that has been utilized in the vast majority of Vehicle ABS over the past twenty years—retention by the sponsor[8] of a "horizontal slice"[9] that is subordinate to the issued ABS—is highly effective in providing all the benefits of "skin in the game" that are described in the Commentary. We also believe that risk retention by holding similar, unsecuritized receivables is appropriate risk retention. *For these reasons, the Vehicle ABS sponsors should be allowed to meet that requirement by retaining one or a combination of (i) a "horizontal slice," (ii) a "vertical slice," and (iii) unsecuritized receivables.*

Before commenting on the risk retention proposal, we note that we believe that the Commission should not prescribe forms and levels of risk retention until after the Congressionally mandated study by the Chairman of the Financial Services Oversight Council on the macroeconomic effects of risk retention requirements and the coordinated rulemaking between the Commission and the federal banking agencies regarding risk retention have been completed. Risk retention, transaction performance and transaction parties' motivations are interrelated in a complex, product-specific and transaction structure-specific manner that does not lend itself to a "one size fits all" approach. Furthermore, Congress has not mandated set forms or levels of risk retention for securitization sponsors. The effect of the proposed risk retention requirements on the availability and cost of credit to consumers and small businesses (specifically, motor vehicle dealers) should also be given due consideration. We encourage the Commission to consider (i) setting levels of risk retention that are tailored both by asset class (*e.g.*, retail loan, lease, equipment, motorcycles) and the credit quality of underlying pool assets (*e.g.*, prime collateral, subprime collateral)[10] and (ii) defining a class of "conforming" vehicle assets that would not require risk retention. Finally, if our proposals are not accepted, we suggest that the Commission delay implementation of risk retention requirements for non-mortgage ABS sponsors for at least two years, given the complexities and business model implications of modifying risk retention.

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[7] We refer to the proposals in the release mandating retention of either 5% of the nominal amount of the securities issued or, with respect to revolving asset master trusts (which, in the vehicle sector, relates only to dealer floorplan financings) an originator's interest equal to 5% of the nominal amount of securitized exposures as "vertical slice" risk retention.

[8] When we refer to "the sponsor" in this section we intend that phrase to be read more broadly as "the sponsor and/or one or more affiliates of the sponsor." In many Vehicle ABS, for example, the "horizontal slice" is held by the depositor, which is a subsidiary of the sponsor.

[9] We refer to the subordinated residual interest that is subordinate to the most junior tranche of ABS issued to investors as "horizontal slice" risk retention.

[10] Note that the Federal Reserve Bank of New York differentiated among vehicle asset classes and underlying asset quality in setting the "haircut" levels for borrowings under the Term Asset-Backed Securities Loan Facility.

b. Issues with an Exclusive "Vertical Slice" Approach

Retaining a "vertical slice" of a securitization, either by holding a portion of each issued ABS or by retaining a *pari passu* originator's interest in a revolving master trust of dealer floorplan receivables, is an effective way to align a Vehicle ABS sponsor's interests with ABS investors. However, none of us—and no other sponsor of Vehicle ABS that we are aware of—currently employs this method of risk retention in retail loan or lease securitizations and most floorplan sponsors have moved away from retaining an originator's interest in their more recent deals.

Mandating that Vehicle ABS sponsors retain a "vertical slice" would have negative economic impacts on both sponsors and the consumers and small businesses they serve. Vehicle ABS sponsors have traditionally retained the "horizontal slices" of their securitizations and investors have come to expect and indeed prefer that sponsors keep "skin in the game" in the form of a first-loss position that is structured to absorb multiples of the expected losses on the securitized pool. If Vehicle ABS sponsors were also required to retain a "vertical slice," then we expect that they would end up retaining *both* the mandated "vertical slice" and the "horizontal slice," the former exclusively to satisfy a regulatory requirement and the latter to satisfy investors. As a result, transactions would be less efficient, generating less funding per dollar of securitized assets. This would increase borrowing costs for sponsors and/or reduce credit availability for consumers and small businesses.

Any investment grade portion of a "vertical slice" that sponsors hold would be funded by the sponsor with higher cost equity or debt. With more of their non-ABS financing dedicated to financing retained risk on securitizations, sponsors could be forced to either originate fewer loans or increase the costs to consumers and small businesses.[11]

Finally, while the "vertical slice" risk retention is proposed to apply only to shelf offerings, neither "one off" public issuances nor Rule 144A issuances provide an adequate substitute. Many of us traditionally execute quarterly, or sometimes even more frequent, transactions off our shelf registration statements. As a result, we fear that the costs and potential delays that would arise if we were continually registering "one off" issuances using form SF-1 would make that approach problematic. Furthermore, Rule 144A issuances are not only a more expensive source of funding (because the securities are not freely tradable) but also provide access to a far smaller pool of available investor capital. Our investors have repeatedly told us that they prefer, and have more money to allocate to more liquid public issuances.

[11] One Vehicle ABS Sponsor undertook an internal study to determine the "cost penalty" of holding a "vertical slice" in addition to a "horizontal slice" and found that this dual holding could both compromise credit availability and hurt manufacturers who own auto financing captives. This sponsor has approximately $21 billion of public term ABS outstanding (as of June 30, 2010) and it retains a "horizontal slice" in all of those securitizations. This company recently issued term debt at 6.9% and public ABS at 1.1% so the interest rate penalty that it would incur by holding the "vertical slice" would be equal to at least the 5.8% differential between the two. If it were also required to hold a five percent "vertical slice" for these securitizations the cost to hold the notes would be at least $61 million per annum ($21 billion times 5% retention times the minimum 5.8% increase in its costs). The sponsor notes that the lifeblood of competitiveness in the automotive industry is new products and that a new vehicle program could be expected to cost about $400 million, representing about 2,500 jobs. Over a six to seven year period the incremental cost of "vertical slice" risk retention would therefore eliminate its ability to undertake such a program.

c. "Horizontal Slice" Risk Retention

As described above, the Vehicle ABS Sponsors already have substantial involvement with the Vehicle ABS they have executed, and that involvement is representative of all Vehicle ABS. By originating the collateral that comprises the asset pool, servicing that asset pool and retaining risk exposure through a subordinated residual interest, Vehicle ABS sponsors have traditionally maintained a strong alignment of interests with their ABS investors.

In all of our term Vehicle ABS:

- 100% of the collateral was originated by the sponsor in all but one of those securitizations[12];
- In 100% of those securitizations, the sponsor serviced all of the collateral; and
- The sponsor retained ownership of the first-loss "horizontal slice."

Together these features ensure that there is a significant alignment of interests between the sponsor and investors. They also explain why there have been remarkably few credit-based downgrades of Vehicle ABS[13] and why investors have not had any principal losses or unpaid interest over the same time frame. This model weathered the recent economic turmoil that revealed flaws in other asset classes and structures. Therefore, it should be an acceptable form of risk retention for Vehicle ABS sponsors.

First, when a sponsor securitizes assets that it originated, there is quality control that is not present in transactions where the originator is neither the sponsor nor the "horizontal slice" equity holder in the securitization. Originators who are also sponsors of their securitizations will have a vested interest in quality originations not only because of their originations business but because they will want their sponsored ABS to perform well so they can continue to access the ABS market. A sponsor that originates an asset that it intends to hold must be concerned with the long-term viability of the asset and its suitability to the related consumer because it would bear any loss incurred on that asset. This is in contrast to a company that follows an "originate-to-distribute" model, where the business plan is to originate securitizable assets and promptly sell them to an unaffiliated aggregator. In that model the originator is primarily concerned with the assets' performance between origination and sale to the aggregator (and the fee income it earns to originate and sell the loan).

Also, a sponsor that securitizes assets that it originated selects the assets to be included in an ABS pool from the portion of its portfolio that meets the securitization criteria without adverse selection. As a result, the sponsor continues to own the assets that were not included in the ABS pool but that are substantially identical to those assets that were included in

[12] In a single securitization sponsored by a Vehicle ABS Sponsor a portion of the securitized retail loans were acquired by the sponsor from an unaffiliated originator and securitized together with similar retail loans that were originated by the sponsor.
[13] See pages 4 and 5 for details on upgrades and downgrades on auto ABS.

the ABS pool. Again, this contrasts with the "originate-to-distribute" transactions where pools were assembled by sponsors to be securitized promptly and in full.

Second, by acting as servicer, the sponsor has ongoing duties to the other securitization parties and the investors. In all of the Vehicle ABS Sponsors' securitizations, the sponsor is a "servicer" for purposes of Item 1108 of Regulation AB. Furthermore, the sponsor's servicing personnel are typically unaware of whether specific assets are securitized or are still owned directly by the sponsor. Therefore, when those personnel perform servicing functions such as granting payment extensions or initiating repossessions, investors benefit from the same servicing standards that are applied to the sponsor's owned receivables.

Finally, retaining the securitization's "horizontal slice" aligns the interests of the sponsor and the investors in all the ways set forth in the Commentary as benefits of "vertical slice" retention. The initial size of the residual pieces is based on the amount of subordination needed to protect the related ABS from multiples of expected losses. Investors then typically prefer that the sponsor retain this "horizontal slice" so that the first-loss exposure is held by the party who will structure and service the deal to minimize those losses. There have never been principal losses or missed interest payments on our ABS, illustrating that these levels of risk retention are appropriately sized "horizontal slices."

A sponsor holding a "horizontal slice" is further motivated to structure and service a securitization properly because doing so maximizes the value of its retained interest (*i.e.*, the amount of the "bottom of the waterfall" funds) available to it. If losses are minimized and the flow of funds is adequate to pay investors and other deal participants and to fund the transaction's credit enhancement, then excess cash will be paid on the "horizontal slice."

We believe that the historical performance of the Vehicle ABS Sponsors' securitizations illustrates that the current model of "horizontal slice" risk retention provides more than adequate alignment of interests between sponsors and investors. By ensuring high quality originations, servicing and structuring, the objectives of "vertical slice" risk retention set forth in the Commentary are already being met. Therefore, "horizontal slice" risk retention should be a permissible means of holding a sponsor's retained interest in Vehicle ABS.

We also note that much of the research cited in the Commentary to support "vertical slice" risk retention also supports "horizontal slice" risk retention. For example, the Bank of International Settlements Quarterly Review, Sept. 2009 (cited in the Commentary at footnote 119) states, "if the equity tranche is thick enough not to be exhausted in a downturn, this form of retention will dominate the others." Further support for "horizontal slice" risk retention is found in The Global Financial Stability Report (cited in the Commentary at footnote 118), which states, "Proposals for risk retention requirements should not be imposed uniformly across the board, but tailored to the type of securitization and underlying assets to ensure that those forms of securitization that already benefit from skin in the game and operate well are not weakened." (IMF, October 2009, p.109).[14]

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[14] Many of the other studies cited in the Commentary indicate the importance of having some meaningful risk retention, but do not state that it should be in the form of a "vertical slice." Risk retention through the "horizontal slice" would meet those definitions of meaningful risk retention. For example, the CFA Institute's Investors'

d. “Unsecuritized Pool” Risk Retention

As described in the preceding section, Vehicle ABS sponsors select the pools to collateralize their Vehicle ABS from the portion of their portfolio that meets the prescribed selection criteria, with no adverse selection permitted. The other receivables typically remain unsecuritized and are financed by the sponsor. The unsecuritized receivables were generally originated using substantially the same underwriting criteria as the securitized receivables. Because these unsecuritized assets represent a similar risk profile to the securitized asset pool, we agree with the “Request for Comment” in the Commentary that suggests that holding unsecuritized assets would be an appropriate form of risk retention.

e. Maintaining the Retained Exposure

We agree that it is appropriate for Vehicle ABS sponsors to retain exposure to their securitizations by holding a retained interest that equals a prescribed percentage of the aggregate principal amount of securities issued to investors. However, the sponsor should be allowed to choose how to retain that exposure so that it can address investors’ preferred manner of risk retention and also ensure the most economically efficient manner of exposure.

We propose that Vehicle ABS sponsors be allowed to retain exposure with a “vertical slice,” a “horizontal slice,” an “unsecuritized pool” or some combination of these methods. For example, a sponsor of a $100 million retail automobile loan securitization could satisfy a five percent risk retention requirement by retaining (i) a $2 million “horizontal slice,” (ii) a $2 million “vertical slice” across all issued tranches and (iii) $1 million of representative, unsecuritized retail automobile loans. A sponsor of another $100 million retail automobile loan securitization might find that investors prefer that it retain a larger “horizontal slice” and it could then hold its entire retained interest as a $5 million (or greater) “horizontal slice.”

In the same way that the Proposal envisions “vertical slice” risk retention that amortizes as the retained securities are repaid we believe that the dollar amount of the sponsor’s retained interest should also be allowed to decline over time. It is possible that the sponsor could find that the value of the retained “horizontal slice” had increased vis-à-vis the issued ABS due to the accelerated amortization of the securities, the speed at which the pool assets were repaid or some other factor. In those cases the sponsor may hold more than the mandated amount of exposure and disposing of a portion of its retained exposures should be permissible.

However, a sponsor generally should not be required to increase its risk exposure post-closing. For example, if a retained “horizontal slice” serves its function as a first-loss tranche by absorbing losses that diminish its value, the sponsor should not be required to reinvest

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Working Group (cited in the Commentary at footnote 109) believes that “sponsors should have a meaningful residual interest in ABS offerings.” (U.S. Financial Regulatory Reform: The Investor’s Perspective, July 2009, pp. 13-14) Similarly, the Group of Thirty (cited in the Commentary at footnote 111) recommends that “regulated financial institutions be required to retain a meaningful portion of the credit risk of the financial assets they are packaging into securitized and other structured credit products.” “Horizontal slice” risk retention would satisfy these conclusions in an even more meaningful manner than a “vertical slice.” Disclosure of our first-loss position and amount would also be consistent with the European Union’s Basel II rules, which require disclosure confirming “a net economic interest in the securitized credit risk of a least five percent.” (cited in the Commentary at footnote 114).

in the deal to make up for those losses. Demanding that the sponsor provide further enhancement in that case would be both inequitable and inconsistent with the legal isolation treatment that is sought in all securitizations.

A sponsor also should not be required to hold its exposure in the same form throughout the life of a deal.[15] So long as the sponsor maintains a specified minimum level of exposure, investors and the Commission should be indifferent as to the manner in which the exposure is held. We propose that a sponsor should be allowed to reallocate the retained exposure at any time, so long as it reports any material reconfiguration in a Form 8-K filing.

f. Proposed Language for Risk Retention

In order to give effect to the risk retention proposals outlined above we propose that the General Instruction to Form SF-3 relating to risk retention be modified as shown below:[16]

"(i) **Risk Retention**. With respect to each offering of securities that is registered on this form:

(A) The sponsor or an affiliate of the sponsor retains ~~a net economic interest in the securities offered in one of the two~~ ***an interest in any combination of one or more of the four*** allowed methods described in paragraph (b)(1)(i)(B) of this section and provides disclosure in the prospectus that is filed as part of this registration statement relating to the interest that is retained. ***The sponsor or an affiliate must hold the retained interest for as long as any securities offered for sale are outstanding, subject to adjustment in accordance with paragraph (b)(1)(i)(C) of this section.***

(B) The sponsor or affiliates of the sponsor shall at any time retain ~~the~~ ***an*** economic interest described in paragraph (b)(1)(i)(A) of this section ***in an aggregate amount equal to a specified percentage of the then outstanding nominal amount of each of the tranches sold or transferred in whole or in part to investors*** in one ***or more*** of the following methods:

(1) Retention of ~~a minimum of five percent of~~ ***a percentage of the*** nominal amount of each of the tranches sold or transferred to investors~~, net of hedge positions directly related to the securities or exposures taken by such sponsor or affiliate~~;[17]

[15] For instance, a sponsor may determine that it would prefer to sell the ABS it initially held as a "vertical slice" but then compensate for that by holding an equivalent amount of unsecuritized assets. Or a sponsor might find that the value of its retained "horizontal slice" has increased and that it can therefore securitize the assets that it had been holding on its balance sheet as an "unsecuritized pool."

[16] Proposed deletions are marked as strikethrough text and additions are indicated as bold, italicized text.

[17] Note that we have deleted the references to hedging the retained interest throughout clause (B) but have added that concept to the definition of "retained interest" so the sponsor is prohibited from hedging any exposure held to satisfy the risk retention requirement.

(2) In the case of revolving asset master trusts, retention of the originator's interest ~~of a minimum of five percent of the nominal amount of the securitized exposures, net of hedge positions directly related to the securities or exposures taken by such sponsor or affiliate, provided that payments by the originator's interest are not less than five percent of payments by, collectively, the securities held by investors, at all times and in all cases~~**;**

(3) In the case of motor vehicle ABS for which (i) the sponsor or one or more affiliates is also a servicer for purposes of Item 1108 and (ii) the sponsor or one or more affiliates is the originator of at least 75% (by aggregate principal balance) of the underlying credit exposures comprising the pool assets, retention of a subordinated residual interest in the collateral pool; or

(4) Retention of credit exposures that (i) were originated by the sponsor or one or more affiliates using substantially similar underwriting criteria to those used to originate the pool assets, (ii) are of the same asset type and (iii) are not pool assets supporting any other asset-backed security.

(C) The amount of the retained interest may be recalculated, and the components of the retained interest may be adjusted, by the sponsor from time to time. Any material change in the components comprising the retained interest shall be reported by the sponsor under Item 6.05 of Form 8-K.

We would also suggest adding the following defined terms and calculations to Item 1101 of Regulation AB or to the General Instructions to Form SF-3 to give effect to the changes outlined above:

<u>*Motor vehicle ABS*</u> is any asset-backed security the underlying credit exposures for which are retail loans and leases relating to, and residual values of, cars, trucks, motorcycles and other recreational vehicles or floorplan loans that are constituted of revolving lines of credit to finance dealer inventories of cars, trucks, motorcycles and other recreational vehicles.

<u>*Retained interest*</u> is the exposure retained by a sponsor or an affiliate to satisfy the requirements of Form SF-3 paragraph (b)(1)(i)(A), net of hedge positions directly related to those interests, securities or other exposures taken by such sponsor or affiliate.[18]

On the closing date, the retained interest must equal a minimum of __% of the aggregate principal amount of securities that are issued to investors on the closing date. On any date that the sponsor changes the composition of the retained

[18] We do not believe that pledging or otherwise borrowing against any assets comprising the sponsor's retained interest should be prohibited. We request that the SEC explicitly state in the Final Release that this type of borrowing using these assets as collateral is not a "hedge position" for purposes of the risk retention requirements.

interest in accordance with paragraph (b)(1)(i)(C), the retained interest following such reallocation must at least equal the lesser of __% of the aggregate principal amount of all securities issued to investors as of that date and the retained interest as calculated immediately prior to such reallocation.

The amount held by a sponsor as retained interest at any time will equal the sum, as of the later of the closing date and the most recent date that the sponsor adjusted the composition of the retained interest in accordance with paragraph (b)(1)(i)(C), of (i) the outstanding principal balance of asset-backed securities held by the sponsor or an affiliate pursuant to paragraph (b)(1)(i)(B)(1), (ii) the outstanding principal balance of the originator's interest held by the sponsor or an affiliate pursuant to paragraph (b)(1)(i)(B)(2), (iii) the value of the subordinated residual interest held by the sponsor or an affiliate pursuant to paragraph (b)(1)(i)(B)(3) and (iv) the aggregate principal balance of the credit exposures held by the sponsor or an affiliate pursuant to paragraph (b)(1)(i)(B)(4).

Subordinated residual interest is an equity ownership or debt interest in an issuing entity, which may or may not be certificated, which represents the right to receive in the flow of funds for the transaction all payments generated by the pool of receivables or other financial assets backing the issuing entity's asset-backed securities that are not utilized to make payments on the asset-backed securities or designated in the flow of funds to be paid at a more senior level than the asset-backed securities.

The value of a subordinated residual interest is the present value of all projected cashflows remaining after the payment of interest and principal on all tranches of the asset-backed securities and the servicing fee. The value of a subordinated residual interest shall be set on the closing date or, if greater, as of the most recent date the composition of the retained interest was adjusted in accordance with paragraph (b)(1)(i)(C). For so long as the sponsor or an affiliate owns 100% of a tranche (or tranches) of asset-backed securities, on which payments of interest and principal are subordinated to payments of interest and principal, respectively, on all asset-backed securities held by investors, the aggregate principal balance of the retained asset-backed securities shall be added to the value of the subordinated residual interest. [19]

In the case of revolving asset master trusts, the subordinated residual interest is that portion of the ownership interest in the issuing entity, which may or may not be certificated, which is designated pursuant to the transaction documents as being subordinated to all tranches of issued asset-backed securities of the related

[19] In some cases, the sponsor will retain the most junior tranche (or tranches) of asset-backed securities at closing. All principal and interest payments on that tranche are subordinated to principal and interest payments respectively on the asset-backed securities held by investors. More specifically, junior note interest is subordinate to senior note interest and junior note principal is subordinate to senior note principal. If the sponsor had not structured the junior-most asset-backed security, the resulting "horizontal slice" it retained would be larger. So long as the sponsor retains the most subordinated asset-backed securities, they should count toward the sponsor's subordinated residual interest.

series, that represents the right to receive at the most subordinated level of the flow of funds for the transaction all payments generated by the pool of receivables or other financial assets backing that series of asset-backed securities that are not utilized to make payments on such asset-backed securities or designated in the flow of funds to be paid at a more senior level, and that is not specified as supporting any other series, and that does not comprise the subordinated interest for any other series or comprise a *pari passu* originator's interest in the master trust. The value of such a subordinated residual interest is the greater of (i) its value calculated pursuant to the transaction documents on the closing date and (ii) its value calculated pursuant to the transaction documents on the most recent date the composition of the retained interest was adjusted in accordance with paragraph (b)(1)(i)(C). For so long as the sponsor or an affiliate owns 100% of a tranche (or tranches) of asset-backed securities, on which payments of interest and principal are subordinated to payments of interest and principal, respectively, on all asset-backed securities held by investors, the aggregate principal balance of the retained asset-backed securities shall be added to the value of the subordinated residual interest."

2. <u>Third Party Review of Repurchase Obligations</u>

The Commission has also proposed as a condition to shelf eligibility that a depositor or sponsor must agree to furnish a quarterly opinion to the ABS trustee relating to any unfulfilled demands that the trustee made to repurchase pool assets due to an asserted breach of a representation or warranty. We believe that this section of the Proposal responds to defects in other securitization sectors, principally RMBS, rather than Vehicle ABS. The circumstances that trigger the obligation to provide these opinions are exceedingly rare—if not non-existent—in Vehicle ABS. The Vehicle ABS Sponsors therefore request that they be exempt from this provision.

In transactions effected by the Vehicle ABS Sponsors, breaches of representations or warranties made by a sponsor or originator rarely occur. No Vehicle ABS Sponsor has ever received a demand from a third party for the repurchase of assets due to breach of a representation or warranty. On the rare occasion that an asset-level breach of a representation or warranty does trigger a repurchase obligation, the breach is detected by the originator or servicer in its normal business processes, including through its receivables systems that flag and track certain potential breaches, rather than by the trustee or any other outside party. If the servicer identifies a breach, the servicer causes the asset to be repurchased from the issuing entity in accordance with the securitization program documents.[20] These repurchases are never material.

While we have never had to address a situation where a third party demands a repurchase due to a breach of a representation or warranty, if such a demand were made we believe that we would always find it less burdensome and less expensive to simply repurchase the asset rather than hiring a third party to provide an opinion or certificate. We also question whether an opinion could even be given under these circumstances. Many representations are factually

[20] We confirmed on an informal basis with a number of prominent trustees for Vehicle ABS that they rarely, if ever, make repurchase demands for representation and warranty breaches.

based and an opinion-giver would necessarily have to rely on certificates from the sponsor as to whether facts exist to substantiate a breach. Others representations are based on legal conclusions that would be impossible for an opinion-giver to diligence.

As we expect that we would never need to provide opinions regarding unfulfilled repurchases due to breaches of representations and warranties, if we are not exempt from these provisions, we could include the relevant undertaking in our transaction documents. However, we strongly oppose any alternatives that may be proposed to the Commission that would mandate the periodic provision of opinions, audits or reports regarding breaches of representations and warranties under all shelf-registered transactions. Any requirements to provide such opinion, audit or report without the "triggering event" of an unfulfilled repurchase demand would be extremely inefficient for Vehicle ABS and would provide no incremental benefits to investors. Given the size of typical Vehicle ABS transactions and typical levels of delinquencies or defaults, any third party review triggered by delinquencies or defaulted loans would be an enormous burden and would likely not result in the identification of any breaches of representations or warranties. Delinquencies and losses are an expected part of the auto financing business and are generally unrelated to whether a breach of a representation or warranty has occurred. Because there has never been a problem in this asset class with unfulfilled repurchase requests due to breaches of representations or warranties we recommend that if the Commission requires an automatic reporting requirement for all shelf-registered securitizations that it either (i) exempt Vehicle ABS or (ii) have the automatic requirement arise only after there has been either an unfulfilled *bona fide* repurchase demand or after one percent (or some other non-*de minimis* portion) of the asset pool has already been repurchased from the issuing entity due to breaches of representations and warranties.

3. Undertaking to File Ongoing Reports

The Vehicle ABS Sponsors have no objection to the proposal that shelf eligibility should be conditioned on an undertaking to continue filing Securities Exchange Act of 1934 (the "Exchange Act") reports for the life of the transaction. However, in response to this proposal and the rulemaking that the Commission will undertake due to new Section 15(d)(2) of the Exchange Act, as revised by Section 942 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we request that sponsors be allowed to meet their obligation to file distribution and pool performance information pursuant to Item 1 of Form 10-D ("Distribution Reports") by a means other than filing individual monthly reports on EDGAR. Our proposed modifications would ensure investor access to Distribution Reports without imposing substantial burdens on ABS sponsors.

We object to making EDGAR filings of these Distribution Reports because doing so would be expensive and an inefficient use of our administrative resources. Many of us have more than one securitization platform (*e.g.*, retail loan, lease and dealer floorplan) and have sponsored as many as five or six ABS issuances on a given platform in a calendar year. Certain sponsors could issue up to a dozen public securitizations in a year. Given the two to five year lifespans of our ABS, such a rule could result in a future obligation to file fifty or more individual Distribution Reports on EDGAR each month. Satisfying this obligation would be expensive and time consuming and would be no more useful to investors than the alternatives we suggest below. Most Vehicle ABS Sponsors do not have in-house capability to file EDGAR reports and must rely on third party service providers to do so. One sponsor whose public Vehicle ABS is at a lesser volume estimates that out-of-pocket EDGAR filing fees of its monthly Distribution Reports would cost in excess of $150,000 per year not including its own overhead for personnel time to manage the process.

Our preference would be to allow Distribution Reports to be posted on a publicly available website other than EDGAR. Most of us already post Distribution Reports in a special ABS section of our corporate websites or cause the ABS trustee to post the Distribution Reports on its own website to facilitate investor access. We have made these postings during the entire life of each securitization, regardless of whether the related issuing entity's obligation to file the Exchange Act reports has been suspended and we expect to continue these postings regardless of future rulemaking. We prefer to be allowed to satisfy our obligation to make Distribution Reports available with these postings. We would undertake in our registration statements to cause the postings to be made on our corporate websites, or cause the ABS trustee to make such postings on its website, for so long as any publicly held ABS are outstanding. We would also disclose in the prospectus both the obligation to make the postings and the website address where the Distribution Reports would be posted.

Alternatively, we request that consolidated filings of Distribution Reports on EDGAR be permitted. For instance, if a single depositor/registrant had 20 reporting issuing entities after revisions to the rule, we would suggest that a single filing of all 20 monthly Distribution Reports (with appropriate titles for easy identification of the issuing entity) under the depositor's CIK number be permitted, rather than requiring 20 separate, issuing entity-specific filings. This would be less burdensome and much less expensive. Again, we propose that we would disclose in each issuing entity's prospectus that there is an ongoing filing obligation. If our proposal to provide consolidated filings of Distribution Reports is accepted, we also ask that consolidated filings of Forms 10-K be permitted. For these filings as well we would group all Form 10-K reports due on the same date for issuing entities under the same depositor/registrant and that attach the same "platform level" exhibits into a single filing to be made using the depositor's CIK number.

II. Disclosure

A. Pool Asset Disclosure

1. Introduction

a. Vehicle ABS is not RMBS

The Proposal would expand exponentially the amount of data available to investors in Vehicle ABS. The Vehicle ABS Sponsors are supportive of the concept of providing additional detail to investors regarding pool assets. However, we believe that the amount of additional data provided should be commensurate to the needs that investors have for that data in order to make informed investment decisions. In addition, the determination of what data should be required must balance investors' desire for more data with the materiality of the data and the ability of sponsors to provide that data, while also protecting obligor privacy and the proprietary interests of issuers. We believe our grouped data proposal best balances these competing considerations.

It is clear that investors suffered substantial losses in RMBS backed by subprime mortgage loans, as well as in CDOs comprised of such RMBS. It is also clear that those RMBS losses, and the view that investors might not have bought those securities if they had more information about those loans, provide the impetus behind the proposal to require significant amounts of asset-level data. There were a number of problems in the RMBS sector that were exposed during the financial crisis.

The mortgage industry relies on many originators and intermediaries. Many of those originators and intermediaries retained no interest in the mortgage loans they handled. We understand the desire to delve deeply into asset-level data when the originator has not retained any stake in the performance of the loan.

In addition, the RMBS market of a few years ago also was characterized by highly structured securities. A typical RMBS transaction had 20 to 30 classes of securities, including securities whose repayment depended solely on the level of interest collections or principal collections or the timing of prepayments. RMBS transactions were often designed with multiple collateral groups. Further, RMBS sponsors typically sold *all* of the interests in the RMBS issuer, retaining no interest themselves other than mortgage servicing rights.

We understand the desire to provide investors with tools that will make it easier to detect low-quality assets that should not collateralize securities. We understand that substantial and granular detail must be provided when the repayment of a class of securities depends solely on the performance of a limited aspect of the underlying pool of assets.

But we must point out that all of these problems in RMBS that the asset-level data proposal seeks to address simply did not and do not exist in the Vehicle ABS sectors.

As we have noted, every Vehicle ABS that we have ever issued has made all payments in full. Further, we believe the same to be true for all other sponsors of Vehicle ABS. Our transactions have been structured soundly, and there is no misapprehension about the factors that support repayment of our loans and leases. The fact of the matter is that vehicles are depreciating assets. Loans against, and leases of, those vehicles simply are not made with the expectation that the vehicles will maintain or *appreciate* in value.

In addition, the "originate to distribute" model does not exist in our asset classes. Our retail loans and leases are either acquired directly from the dealer selling or leasing the vehicle to the retail customer or are originated directly with the retail customer; our floorplan loans are made directly to dealers who hold the vehicle inventory. Distribution channels do not exist in vehicle finance that would support independent originators who need to sell all of their loans upon, or shortly after, origination. Any finance company or bank that originates retail loans, leases or floorplan loans plans to hold those assets or keep the first-loss position to maturity, whether or not it engages in securitizations.[21]

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[21] We note that some Vehicle ABS Sponsors have, from time to time, effected "whole loan sales" to third party purchasers. The sales generally cover a relatively small portion of those sponsors' portfolios, and the sponsors have always retained the servicing. These Vehicle ABS Sponsors are using whole loan sales as an occasional funding source; they are not engaged in an originate-to-distribute business model.

We also point out that our retail loans are plain vanilla fixed rate, simple interest, level monthly payment contracts with obligors. The typical maturity is 72 months or less, with an average life of 44 months or less. Similarly, our leases are plain vanilla, level monthly payment contracts for new vehicles. Typically, they have terms of 48 months or less. Floorplan loans are short term loans due upon sale of the vehicle, and they are usually repaid in 30 to 90 days. Vehicle receivables are infrequently refinanced. Our vehicle receivables do not have prepayment penalties, adjustable rates, interest-only periods or negative amortization. Retail loans are fully amortizing to final maturity, and almost all leases have monthly payments until the lease termination date.

Our retail loan and lease ABS do not have nearly the complexity of a typical RMBS offering. A typical retail loan or lease-backed ABS transaction has three to five classes of notes, with the senior-most class typically divided into three or four sub-classes. Each class or sub-class of securities is entitled to principal and interest. These classes, even at the junior levels, are much "thicker" than subordinated classes in RMBS transactions. The principal payment structure is usually a purely sequential arrangement, with each class of securities receiving no principal until all classes senior to it have been repaid. The result is that the credit enhancement builds over time. In these transactions, we do not differentiate between principal collections and interest collections; all collections are applied to repay principal and interest on the ABS. Importantly, the Vehicle ABS Sponsor retains a significant subordinated interest in each issuing entity.

The duration of Vehicle ABS is also much shorter than RMBS. A typical retail loan ABS will repay all investors in four years or less, and a typical lease ABS will repay investors in three years or less. Floorplan ABS generally have maturities of two to five years.

Floorplan loans are securitized in master trusts. These master trusts are complex arrangements, as we discuss in more detail in the section of this letter discussing the Waterfall Computer Program. But the ABS we issue from these master trusts are generally straightforward instruments entitling the holder to principal and interest, and they are supported by very substantial residual interests in the master trusts retained by the depositors. Since the onset of the financial crisis, the amount of subordination required by the rating agencies for the most senior notes issued in floorplan ABS is in the range of 22 to 37% of the master trust's assets allocated to the notes.

It is for all of the foregoing reasons that Vehicle ABS have performed admirably prior to, during and after the financial crisis. We believe that the current levels of Vehicle ABS issuance, the pricing levels on recent offerings and the investor demand for Vehicle ABS confirms that investors are comfortable with our programs. The investment analysis for Vehicle ABS is simpler than for RMBS. Investors have less complexity to analyze, they have fewer risks they are being asked to take, and we believe as a consequence that they need less data to make their investment decisions.

b. Our Major Concerns with the Asset-Level Data Proposal

We do not make these points as a prelude to an argument that Vehicle ABS should be exempt from the requirement to provide additional data about pool assets to investors. To the contrary, we are willing to provide significant additional data. We will provide this data even though investors generally were not seeking incremental data for Vehicle ABS prior to the release of the Proposal. However, we ask that the Commission calibrate the type and amount of data to be provided to investors against considerations that are relevant to our asset classes, and not against the very different practices that existed in the RMBS sector.

As a group, we have devoted an enormous amount of time to this issue of additional asset data disclosures. We have discussed the Proposal's suggested asset-level disclosures for auto loans, auto leases and floorplan loans among ourselves and, to a more limited degree, with investors.

We have made some progress in those discussions with investors, but we are not anywhere near reaching a comprehensive consensus with them. In part, we attribute the lack of consensus to the simple fact that we did not have enough time. We tried to accomplish in the space of a few weeks a "meeting of minds" among auto issuers and investors that took almost two years for mortgage issuers and investors in Project RESTART and almost a year for the credit card industry.

In the Commentary, the Commission asks whether it might be preferable to rely on the industry to set the appropriate standards for enhanced disclosure. We believe that approach would be preferable. With the examples of the mortgage industry and credit card industry reaching consensus, we think it is entirely possible for a consensus to develop in respect of Vehicle ABS. With a general instruction by the Commission to develop additional disclosures, but without the specific (and, as we have sought to demonstrate, problematic) mandate that the solution must involve asset-level data, we believe that a consensus could be reached.

We intend to continue our discussions with investors beyond today's date, and we hope to achieve a broad consensus. But it is a process that takes time. If we are able to make further progress with investors, we will submit a supplement to this comment letter, or participate in formulation and submission of a supplement to the American Securitization Forum ("ASF") comment letter. We understand that the Commission is under a time deadline for these regulations, and we intend to move as promptly as practicable.

Whether or not issuers and investors are able to achieve a consensus on these disclosures, the final decision on the appropriate level of asset data disclosure will rest with the Commission. We hope that, in formulating that decision, the Commission is aware of relevant considerations for issuers, servicers and sponsors in our asset classes.

We have a variety of concerns with the asset-level data proposals:

Proprietary Know-How and Competitively Sensitive Information. We are extremely concerned that disclosure of too much data could cause irreparable harm to our businesses, both by compromising our proprietary know-how and by releasing information that is competitively sensitive.

The prime examples of the proprietary know-how that we must protect are the internal credit scoring models that each of us have developed. The credit scoring models that we use for retail loans and leases are driven by much of the same kind of information that is either contained in the original asset-level data proposal, such as FICO score, or that we are proposing to add, such as loan-to-value ratio ("LTV") and payment-to-income ratio ("PTI"). We know that these factors are critical to understanding the inherent risks of retail loans and leases.

Through years or decades of lending experience, each Vehicle ABS Sponsor has captured large amounts of data on its portfolios of loans and leases. This information is extremely valuable. Each sponsor has made considerable investments in technology and human capital to capture, maintain and analyze this data, and to build proprietary scoring models. Many Vehicle ABS Sponsors have established sophisticated analytics departments staffed by mathematicians, statisticians and economists with advanced degrees who have the skills and understanding of the data and underlying business to build these models and develop strategies to improve competitive performance. Many of us have been building our data bases over decades on literally tens of millions of customer accounts. We consider our data and our ability to use it to be one of our most important business assets.

The Commission has proposed disclosure of FICO scores in bands, and we agree with that approach. Similarly, in our grouped data proposal we would include LTV and PTI information in bands. However, we have not yet been able to achieve consensus with investors on this point. We will not provide that data in such granular detail; doing so poses too great a risk to our business model.

Providing the proposed asset-level data on regular Vehicle ABS issuance with securitized pools of 50,000 to 100,000 loans at a time would allow competitors immediate access to large amounts of data that would otherwise take them years to accumulate in their own business. Each of the Vehicle ABS Sponsors believes that a competitor could take granular data on values such as FICO, LTV and PTI, combine it with other information (*e.g.*, make, model, interest rate, loan maturity) and ascertain the sponsor's proprietary scoring model. Or, even if a competitor did not reverse engineer our scoring models, a competitor could use our data to build its own models or greatly improve the performance of its existing models. Ordinarily, we would consider someone appropriating our data to be wrongfully taking our private property and harming us in the marketplace. We think it is highly inappropriate for a government-mandated program to permit, and indeed facilitate, this taking.

On that topic, we also object to the portion of Section XII of the Commentary that extols the disclosure of asset-level data precisely because it will enable others to decode our credit scoring models:

> The data can be used to reverse engineer an originator's lending strategy in general or loan-pricing model in particular. Such information can be used by lenders to compete more effectively and even more generally can lower barriers to entry into geographic or product lending markets. By making this information more cheaply available, small loan originators may have access in the future to data that only the larger institutions could afford.[22]

[22] 75 Fed. Reg. 23416.

We are disappointed by this statement. The know-how that a competitor would be taking from us through this reverse engineering is something we developed on our own, at our own expense, with our own resources over a long period of time. The Commentary says that "small originators" should, in effect, get this information for free. We are dismayed by the disregard for our property rights demonstrated in this statement.

It has been demonstrated in the auto loan market, as well in other areas of personal credit, that proprietary scoring models outperform generic models (such as FICO) in their predictive powers. This allows us to prudently offer loans to a broader base of consumers.

We also fear that the disclosure of asset-level data would mean the dissemination of competitively sensitive information. For example, disclosure of the interest rates being paid by each dealer on floorplan loans would permit other dealers to discover that information. Disclosure of the amount of individual credit lines or of a dealer's individual risk rating would also be problematic. In addition, these disclosures could permit competitors to target selected dealers.

We want to make loans to consumers to buy vehicles. Doing so will help manufacturers and dealers sell vehicles. Ultimately, more sales are needed to create more jobs and foster economic growth. Not making these loans because they are not profitable will not help anyone. But we cannot compromise our business model and our proprietary know-how simply to preserve a funding channel. We believe that many sponsors would reduce or eliminate their term ABS issuance rather than provide data in a fashion that puts their intellectual property at risk.

Consumer Privacy and Dealer Confidentiality. We believe that the asset-level data proposal poses significant threats to consumer privacy and that it may put us at risk of violating our obligations to protect customer privacy under Gramm-Leach-Bliley and similar state privacy laws. The Commission suggested a number of categories of information that would make it possible to expose personal identifying information. Especially for vehicles that have a particularly low volume or a very high value, or for obligors in sparsely populated areas, this information on its own might be sufficient to enable the identification of a particular consumer to a particular loan.

In the commercial context, we believe that the asset-level data sought in respect of dealers for floorplan loans would make it easy to identify a dealer. For example, the Commission has suggested including a dealer's zip code, as well as the make and model of every single vehicle. From the vehicle data, it will be easy to tell the type of dealership involved (*e.g*, Ford, Chevrolet or Honda). Rarely are there two dealers for one make in a single zip code. Even if the geographic data were restricted to the state level, it would often be easy to identify individual dealerships. For example, it is usually fairly common knowledge which dealership for a particular make of vehicles is the largest in the state, and it would be easy to tell from this array of data which obligor is the largest dealer in a given state.

Dealers whose confidential information is disclosed might well choose to find financing with a source that is not going to use the ABS market. For finance companies supporting a manufacturer, the loss of this dealership business would be crippling. The provision of floorplan financing to dealers gives a finance company many synergistic opportunities with those dealers.

These finance companies are extremely important to the manufacturers, and their ability to provide financing throughout the economic cycle is particularly valuable to the manufacturers and their respective dealers.

Floorplan ABS sponsors may have confidentiality agreements in place with dealers that would prohibit this type of data disclosure. Even in the absence of such an agreement, disclosures regarding dealers of the type contemplated by the Proposal would be very damaging to our relationships with our dealers, as they would no doubt consider it a breach of trust.

In addition, many of the Vehicle ABS Sponsors have entered into contracts with credit bureaus in which they have agreed to keep information received from the credit bureau, including FICO scores, confidential. Similar contractual restrictions may be in place with other data providers, such as Automotive Lease Guide, a primary provider of residual information on used vehicles. These agreements will need to be renegotiated if a requirement to make FICO scores or other third party information publicly available is included in the Proposal. These companies, whose very livelihood involves the selling of their data and information, may resist changing these contractual provisions.

Burden. The amount of asset-level data that the Proposal would require is significant. The Proposal sets out 28 "general" data items for each type of asset, 31 additional data items for auto loans and 33 additional data items for leases. For floorplan loans, 6 additional data items are proposed—but the disclosure is proposed to be made at the level of each vehicle, and our master trusts can have upwards of 400,000 vehicles securing floorplan loans at any given time. Moreover, the short term nature of the floorplan loans—most are repaid in less than 90 days—means that the sponsor of such a trust would be reporting on 1,600,000 or more discrete loans *each year.*

Disclosing the amount of data required by Schedule L would be extraordinarily burdensome, both as to cost and effort, for an issuer of Vehicle ABS. A typical offering of $1.0 billion of Vehicle ABS backed by auto loans or leases (which is a common size of offering in these sectors, and which would actually be a small offering for some Vehicle ABS Sponsors) would include approximately 50,000 separate loans or leases. Producing 59 or 61 data points for those 50,000 assets would mean producing approximately *3 million* separate bits of information.[23] For a floorplan trust with 400,000 vehicles, the 34 data points for the loan secured by each vehicle would mean *13.6 million* data points. By contrast, a typical RMBS offering, according to the Commentary, includes 3,317 mortgage loans.[24] The 161 data points required in an RMBS transaction for each asset seems extensive, but the total burden on the RMBS issuer would be far less than the burden placed on an Vehicle ABS issuer. The RMBS issuer in that transaction would provide just 534,037 data points. That data represents one-sixth of the data required of the retail loan or lease ABS issuer, and even less compared to the floorplan issuer.

The burden of the asset-level data proposal extends far beyond the Schedule L data required at the deal offering stage. There is an equally large amount of data to be provided each

[23] In fact, Vehicle ABS offerings have been as large as $5.0 billion and had as many as 340,000 separate retail loans. The data requirements for the offering stage of such a retail loan transaction would be a truly staggering over *20 million* bits of information.
[24] 75 Fed. Reg. 23404, fn. 533.

month. There are types of data specified that we do not presently capture in any systematic fashion, such as an obligor's Metropolitan Statistical Area, the degree of income or employment verification for an obligor or the original interest rate on a loan that has been modified, whether by reason of the Servicemembers' Civil Relief Act or due to another cause.

We believe that the credit card paradigm is a better model for asset data disclosure than is the RMBS paradigm. Our retail auto loans and auto leases have relatively small values, often averaging in the range of \$10,000 to \$20,000. Equipment loans often range from \$40,000 to \$100,000, still well below the standard mortgage loan. The number of assets in our securitized pools is large. The tenor of the retail loans and leases is relatively short. The underwriting process is streamlined, with the loan usually being made the same day it is requested. Our transaction structures for retail loan and lease ABS are simpler than credit card structures. Our defaults are resolved quickly. For all these reasons, we believe the level of detail that investors need is more akin to the credit card disclosure approach than it is to the RMBS approach.

Applicability to Vehicle Loans and Leases. Many of the data points included in the General category in Schedule L just are not applicable to the types of assets we are originating. Items included in Schedule L, Item 1 such as asset number type, asset group number and original interest only term refer to practices that simply do not exist for any of our asset classes.

Other items contained in Schedule L, Item 1 would require disclosure at the individual asset level for characteristics that are not asset-specific. For example, the servicing fee in a Vehicle ABS transaction is always a uniform fee based on the value of the entire pool of securitized assets; it is not assessed or determined at the individual asset level. Similarly, the servicing advance methodology—if the transaction even provides for advances at all—is handled at the issuer level, with a consistent methodology for all assets. It would be pointless and wasteful, in our estimation, to be required to provide data at an asset level that is identical for every single asset class.

Looking specifically at auto leases, the "general" items on Schedule L contain even more fields that are inapposite. Leases do not have interest rates, nor do they have principal balances; they just have monthly payments that are due until the termination date, at which point the lessee has an option to purchase the vehicle. As a result, terms used in the general items in Schedule L such as interest rate, interest type, asset maturity date and outstanding principal balance do not have any meaning for auto leases.

Even if reporting on floorplan loans were to occur at the level of the individual floorplan loan (*i.e.* each vehicle financed), the general items specified in Item 1 of Schedule L fit particularly poorly. Floorplan loans are due upon sale of the vehicle, so there is no original asset term, asset maturity date, original amortization term, first payment date or remaining term to maturity. Those concepts are meant for loans that have defined maturity dates. The idea of a defined underwriting indicator does not make much sense for a revolving credit arrangement, as the credit monitoring of the dealer is not triggered each time a new receivable arises under the account. The concepts of current payment amount due, current delinquency status, number of days payment is past due and current payment status are also essentially irrelevant to the floorplan arrangement. Dealers make payments of interest on a consolidated basis for all receivables, and they make payment of principal when each vehicle is sold. Delinquencies are rare in floorplan.

If the Proposal, instead, had suggested that floorplan loans be reported at the level of the individual dealer, the general items in Schedule L would still not fit. The revolving nature of each dealer's floorplan obligations, and the absence of a maturity date, mean that most of the general items cannot be answered.

We also point out that many of the items in Schedule L require reporting at the asset level of many characteristics for which the auto industry has an "industry standard" practice. For example, virtually all retail auto loans that are securitized are simple interest, fully amortizing, monthly pay contracts. In the great bulk of securitizations, the sponsor has originated 100% of the retail loans in the securitized pool, and the sponsor or its affiliate is the servicer of those retail loans. The value of every asset in the pool is established as of the same measurement date, and the type of consumer credit score utilized is a FICO score. In lease securitizations, all leased vehicles are new.

Notwithstanding this near total uniformity, that Schedule L would require us to report a separate data item for each of these characteristics. For a pool of 50,000 or more assets, the burden of reporting 10 to 20 items for which the answer is always the same is significant—it could easily be a million data points. Moreover, this reporting does not provide additional value to investors. Each of these practices is described in the prospectus; we should not need to confirm that practice with repetitive data.[25]

c. **<u>Balancing the Investors' Desire for Data with Our Concerns; Our Proposals</u>**

Over 50 investors frequently invest in our Vehicle ABS. We talk regularly with these investors and meet with them when possible. We have been talking one-on-one with investors through the course of the comment process on the Proposal. We believe we have a good understanding of investor needs.

Many of these investors have supported our securitization programs for a very long time. They invested in our ABS prior to the financial crisis, they invested in our ABS during the financial crisis, and they continue to invest in our ABS today. Investors have shown confidence in our ABS because we have provided ABS with stable and predictable performance.

While there are a few investors who actively and vocally want extremely detailed asset-level data, we think most investors in our ABS do not want that level of data. We believe many do not have the internal systems or personnel to handle the level of information contained in Schedule L and would not use the information even if they had it.

The "need" for asset-level data is far less pronounced for the analysis of Vehicle ABS than for the analysis of RMBS. Our assets are homogeneous, short term, not particularly interest

[25] Although we remain opposed to the provision of asset-level data, we note that this objection would be addressed through a system in which a sponsor was required to report these items at the asset level only if its pool varied from the industry standard in any material way.

rate sensitive and they are not often refinanced. Our assets are secured by collateral that can be liquidated quickly following return or repossession. Our retail loan and lease ABS are straightforward, sequential pay securities. We do not offer interest-only or principal-only classes or other esoteric features. We do not believe that investors need to re-evaluate each and every credit decision we have made; the grouped data that we propose to provide below would be sufficient to allow them to analyze the creditworthiness of the pool.

ABS modeling in retail loan and lease transactions has for years been done on the basis of data lines[26], which are aggregations of the underlying receivables into six to 24 different lines of data. Asset-level data is not used in this process today.

Even over the past few years, our collateral performance has been very good. It is the case that obligor defaults in securitized pools increased from pre-financial crisis levels, but the increase was nowhere near enough to cause losses on our ABS.[27] We believe that the increase in obligor defaults resulted from the economic downturn, not from imprudent underwriting. While it may be the case with RMBS that small changes in pool performance can have major impacts on specific narrowly tailored securities, with Vehicle ABS that is just not a consideration. The performance deterioration that must occur in order to cause losses to an investor is much greater than in RMBS.

Taking these factors into account, along with the significant concerns expressed above about the asset-level data proposal, leads us to the conclusion that the correct disclosure paradigm for each of the three of the auto ABS asset classes is a "grouped disclosure" approach. We have prepared what we consider to be very robust proposals for grouped data for retail auto loans, auto leases and auto floorplan loans.[28]

Among the principal advantages of grouped data are the elimination of concerns about consumer privacy, dealer confidentiality and the misappropriation of our proprietary know-how or disclosure of confidential information. Our proposal would significantly reduce the burden on us and it would eliminate the problem of inapplicable data. Yet, at the same time, we would be providing investors with an enormous amount of data. Each of the rows in our grouped data proposals would, in effect, be its own data line. This proposal provides a much more granular look at the data than previously available, and it does so in a format that is familiar to investors. Most importantly, the fields that we have proposed are those most relevant to understanding loan performance.

We feel very strongly that the grouped data proposals for retail loans, leases and floorplan loans are the best way to provide enhanced asset information to investors in Vehicle

[26] These data lines are often referred to colloquially in the industry as representative lines or "rep" lines.
[27] By way of example, for one representative prime retail auto loan ABS sponsor, the highest cumulative loss percentage on any securitized pool outstanding during the past five years was less than 2.5% of the securitized pool balance, which compares very favorably to the initial credit enhancement of approximately 10.5% for the senior notes in these pools.
[28] We note that we do not address retail equipment loans or equipment leases in our proposals. We understand that Navistar Financial expects to submit a separate letter with respect to asset disclosure for those asset classes.

ABS. It also puts all investors on an "equal playing field," as many investors would not be able to process such large amounts of asset-level data.[29]

2. Grouped Data for Retail Auto Loans

We recommend that ABS backed by auto loans be exempted from the requirement in the Proposal to provide asset-level data. We propose that auto loan issuers provide asset-level data in standardized groups and also provide additional pool data by stratifications in the deal offering materials and provide grouped data on a periodic reporting basis. The standardized groups and stratifications we propose represent a minimum standard. Individual issuers can and should supplement the groupings or data items to ensure that meaningful data is provided for the particular features of their securitized pool of assets or business practices.

Deal Offering Reporting - Auto Loans

Grouped Data. We propose that auto loan issuers provide disclosure regarding the underlying pool by means of grouped loan data lines, similar to the Proposal for credit card transactions. These data lines would be created by segregating the underlying auto loans by distributional groups of material pool characteristics. For each combination of distributional groups, the issuer would provide certain specified information. Each auto loan issuer would include appropriate narrative disclosures and footnotes to explain the distributional groups and information categories to enhance the investors' understanding of the data presented or to provide definitions or formulas if appropriate.

Appendix R-1 sets forth the proposed grouped loan data for ABS backed by auto loans, including the information required for each combination of distributional groups. The combination of all five distributional groups (with two to six categories each) and the information required would produce 480 grouped loan data lines and 2,880 data points representing the entire asset pool.

We have attempted to identify and include the most relevant distributional groups and information for assessing obligor credit risk and underlying collateral value. To assist investors in assessing the credit profile of the obligors, we have included FICO scores, LTV ratios and PTI ratios. These fields are used by the issuers in their credit scoring and underwriting decisions, and we believe they provide the necessary information regarding obligor credit risk. To assist investors with assessing the frequency and amount of potential losses on the underlying collateral, we have included whether the loans are secured by new or used vehicles and whether the original loans have longer terms. We believe that these groups provide sufficiently detailed information about the creditworthiness of the underlying obligors, the riskiness of the loans and the value of the collateral while protecting obligor privacy and addressing originator concerns about maintaining the confidentiality of proprietary information.

[29] We note that our grouped account proposals would report just on securitized assets that have not been repaid in full, repurchased by the originator or, in the case of defaulted assets, otherwise finally resolved. There would not be any need to report on assets from which no further cash flow could be received.

We propose the following five distributional groups:

1. FICO score (6 categories)

For the FICO score group, we propose including the standardized credit score of the obligor at the time of origination. We have added a category for "No FICO Score" because the issuers do not always have a FICO score if the obligor is a business or an individual with little or no credit history. Other standardized credit scores (such as Vantage) should be permitted in the future with buckets comparable to the FICO score buckets. An issuer would provide disclosure regarding the alternative credit score. An auto issuer would have the option to add additional buckets below 600 and above 750 if appropriate for its securitized pool of loans.

2. Loan-to-Value Ratio (4 categories)

The LTV ratio would provide the original loan amount as a percentage of the value of the financed vehicle at the time of origination. Each issuer would provide narrative disclosure in the prospectus regarding how "loan" and "value" are defined for the LTV calculation, including differences for new and used vehicles, if material.

3. Payment-to-Income Ratio (5 categories)

The PTI ratio would provide the scheduled monthly payments on the loans as a percentage of the total monthly income of the obligor (and co-obligor, if applicable) at the time of origination. Each issuer would provide narrative disclosure in its offerings materials of the income verification procedures it uses.

4. New versus Used (2 categories)

5. Original Term (2 categories)

This will result in 480 lines of data lines.

Information for each Data Line. For each grouped loan data line, auto loan issuers would provide the following information.

- Number of Contracts
- Aggregate Original Principal Balance
- Aggregate Current Principal Balance
- Weighted Average Remaining Term
- Weighted Average APR (interest rate)
- Weighted Average Scheduled Monthly Payment

This will result in 2,880 data points being provided.

Additional Pool Stratifications. In addition to the grouped data described above, we propose auto loan issuers include standardized additional pool stratifications of the asset pool in the initial offering materials. Appendix R-2 sets forth the proposed additional pool stratifications for ABS backed by auto loans. Auto loan issuers would provide the information in tables by the following attributes:

1. Obligor State
2. Financed Vehicle, Make and Model
3. Financed Vehicle, Model Year
4. Remaining Term
5. Origination Year
6. Contract APR (interest rate)

For each stratification table, the following information would be included:

- Number of Contracts
- Aggregate Current Principal Balance
- Percentage of Pool
- Weighted Average FICO score
- Weighted Average Loan-to-Value Ratio
- Weighted Average Payment-to-Income Ratio
- Percentage of Auto Loans secured by New Vehicles
- Weighted Average Original Term
- Weighted Average Remaining Term
- Weighted Average APR (interest rate)

Ongoing Monthly Reporting - Auto Loans

Similarly, for ongoing periodic reporting, we propose that auto loan issuers disclose data by grouped loan data lines. Appendix R-3 sets forth the proposed grouped loan data for ABS backed by auto loans to be provided on a periodic reporting basis with each distribution report, which typically is provided on a monthly basis. We propose for ongoing reporting auto loan issuers include the same distributional groups disclosed in the initial offering materials as well as a delinquency group. The combination of all the ongoing distributional groups would produce 2,400 grouped loan data lines representing the asset pool.

1. FICO score (6 categories)

2. Loan-to-Value Ratio (4 categories)

3. Payment-to-Income Ratio (5 categories)

4. New versus Used (2 categories)

5. Original Term (2 categories)

6. Delinquency (5 categories)

As discussed above, FICO scores, LTV and PTI ratios would be measured as of the origination dates for the auto loans.

For each grouped data line, auto loan issuers would provide the following information to summarize ongoing deal performance with each distribution report for the period reported:

- Number of Contracts

- Aggregate Original Principal Balance

- Aggregate Current Principal Balance

- Number of Repossessed Loans

- Number of Loans Paid-in-Full

- Number of Charged-Off Loans

- Number of Loans Repurchased. These repurchases would include repurchases by the originator due to loan ineligibility, breach of representation or warranty or servicer modifications.

- Amount of Payments

- Liquidation Proceeds

- Amounts Charged-Off

- Post Charge-Off Recoveries

- Repurchase Payments

This will result in 28,800 data points being provided.

3. **Grouped Data for Auto Leases**

We recommend that ABS backed by auto leases be exempted from the requirement in the Proposal to provide asset-level data. We propose that auto lease issuers provide asset-level data in standardized groups and also provide additional pool data by stratifications in the deal offering materials and provide grouped data on a periodic reporting basis.

Deal Offering Reporting - Auto Leases

Grouped Data. We propose that auto lease issuers provide disclosure regarding the underlying pool by means of grouped lease data lines, similar to our proposal for auto loans and the Proposal for credit card transactions. These data lines would be created by segregating the underlying auto leases and related vehicles by distributional groups of material pool characteristics. For each combination of distributional groups, the issuer would provide certain specified information. Each auto lease issuer would include appropriate narrative disclosures and footnotes to explain the distributional groups and information categories to enhance the investors' understanding of the data presented or to provide definitions or formulas if appropriate.

Appendix L-1 sets forth the proposed grouped lease data for ABS backed by auto leases, including the information required for each combination of distributional groups. The combination of all distributional groups and the information required would produce 30 grouped lessee credit data lines and 210 data points and 240 grouped residual data lines and 960 data points, representing the entire underlying asset pool.

There is greater variation in each issuer's lease business and lease ABS structures than is the case with most auto loan businesses and auto loan ABS. Accordingly, issuers will adjust distributional groups, information categories, definitions and stratifications to align with their underlying business and ABS structures. For example, an issuer would explain the items it aggregates to calculate "Aggregate Acquisition Cost." Each issuer would provide narrative disclosure regarding definitions of securitization value and securitization rate in its prospectus.

We have attempted to identify and include the most relevant distributional groups and information for assessing lessee credit risk and underlying collateral residual value. Given the importance of proceeds from the sale of related leased vehicles to the cash flows of many lease transactions, we have included two sets of grouped account data. To assess the credit profile of the lessees, we have included FICO score and PTI ratios in one grouping. These fields are utilized by the issuers in their underwriting decisions, and we believe they provide the necessary information regarding lessee credit risk. To assess the residual values of the vehicles, we have included a second grouping that would contain information regarding the residual value of the underlying vehicles. We believe that these groups provide sufficiently detailed information about the creditworthiness of the underlying lessees, the riskiness of the leases and the residual values of the vehicles while protecting lessee privacy and addressing originator concerns about maintaining the confidentiality of proprietary information.

We propose the following two distributional groups to assess lessee credit risk:

1. FICO score (6 categories)

For the FICO score group, we propose including the standardized credit score of the lessee at the time of origination. We have added a category for "No FICO Score" because the issuers do not always have a FICO score if the obligor is a business or an individual with little or no credit history. Other standardized credit scores (such as Vantage) should be permitted in the future with buckets comparable to the FICO score buckets. An issuer would provide disclosure regarding the alternative credit score. A lease issuer would have the option to add additional buckets below 600 and above 750 if appropriate for its securitized pool of leases.

2. Payment-to-Income Ratio (5 categories)

The Payment-to-Income Ratio would provide the scheduled monthly payments on the leases as a percentage of the lessee total monthly income of the lessee (and co-lessee, if applicable) at the time of origination. Each issuer would provide narrative disclosure in its prospectus of the income verification procedures it uses.

This will result in 30 lines of data lines.

Information for each Data Line. For each grouped lease data line, auto lease issuers would provide the following information.

- Number of Leases
- Aggregate Acquisition Cost
- Aggregate Securitization Value
- Weighted Average Original Term
- Weighted Average Remaining Term
- Weighted Average Securitization Rate
- Weighted Average Scheduled Monthly Payment

This will result in 210 data fields being provided.

We propose the following distributional groups to assist in assessing the residual values of the leased vehicles:

1. Vehicle Type (Number of Categories to Vary)

The related vehicles would be categorized by types designated by the issuer, such as car, SUV, CUV, truck and other. Alternatively, an issuer may decide to use make/model information if more appropriate than vehicle type.

2. Original Term (3 Categories)

3. Scheduled Termination Date (Number of Categories to Vary)

These categories would be determined based on the scheduled termination dates included in the pool as of the cutoff date and presented in quarterly increments.

This would result in 240 data lines being provided, assuming 5 vehicle type categories and 16 scheduled termination date categories are used.

Information for each Data Line. For each grouped lease data line, auto lease issuers would provide the following information.

- Number of Leases
- Aggregate Acquisition Cost
- Aggregate Securitization Value
- Aggregate Securitization Residual Value

This would result in 960 data points being provided, assuming 240 data lines are used.

Additional Pool Stratifications. In addition to the grouped data described above, we propose auto lease issuers include standardized additional pool stratifications in the initial offering materials. Appendix L-2 sets forth the proposed additional pool stratifications for auto lease ABS. Auto lease issuers would provide the following information in tables by the following attributes:

1. Make

2. Model

3. Vehicle Type

4. Origination Year

5. Original Scheduled Lease Termination Date

6. Remaining Term

7. State, if appropriate

8. Lease Factor, if appropriate

For each table, the following information would be provided:

- Number of Leases
- Aggregate Acquisition Cost
- Aggregate Securitization Value
- Percentage of Pool
- Weighted Average FICO score
- Weighted Average Payment-to-Income Ratio
- Weighted Average Original Term
- Weighted Average Remaining Term
- Weighted Average Securitization Rate
- Weighted Average Scheduled Monthly Payment
- Aggregated Adjusted MSRP
- Aggregate Securitization Residual Value

Ongoing Monthly Reporting - Auto Leases

For ongoing periodic reporting, we also propose that auto lease issuers disclose data by grouped lease data lines. Appendix L-3 sets forth the proposed grouped lease data for ABS backed by auto leases to be provided on a periodic reporting basis with each distribution report, which typically is provided on a monthly basis. We propose auto lease issuers include the same groups disclosed in the initial offering materials and have added a delinquency group for the ongoing reporting to assist in assessing lessee credit risk.

1. FICO score (6 categories)
2. Payment-to-Income Ratio (5 categories)
3. Delinquency (6 categories)

This will result in 180 data lines being provided. As discussed above, FICO scores and PTI ratios would be measured as of the origination dates for the leases.

For each grouped data line, auto lease issuers would provide the following information with each distribution report for the period reported:

- Number of Leases
- Aggregate Acquisition Cost
- Aggregate Securitization Value
- Number of Repossessed Leases
- Number of Paid-Off Leases
- Number of Leases where the Vehicles were Returned and Sold
- Number of Charged-Off Leases
- Number of Repurchased Leases. These repurchases would include repurchases by the originator due to lease ineligibility, breach of representation or warranty or servicer modifications.
- Amount of Payments
- Pay Off Amounts
- Returned and Sold Vehicles Amounts
- Liquidation Proceeds
- Amounts Charged-Off
- Post Charge-off Recoveries
- Repurchase Amounts
- Servicer Advances. This information would be included in transactions where applicable.

This would result in 2,880 data points, assuming servicer advance information is provided.

We propose the following groups to assist in assessing the residual value in the lease transactions on an ongoing basis:

1. Vehicle Type (Number of Categories to Vary)
2. Original Term (3 Categories)

3. Scheduled Termination Date (Number of Categories to Vary)

This would result in 240 data lines, assuming 5 vehicle type categories and 16 scheduled termination date categories are used.

Information for each Data Line. For each grouped lease data line, auto lease issuers would provide the following information.

- Number of Leases
- Aggregate Securitization Value
- Aggregate Securitization Residual Value
- Number of Paid Off Leases
- Number of Returned and Sold Vehicles
- Number of Repurchased Leases
- Pay Off Amounts
- Returned and Sold Amounts
- Repurchase Amounts

This would result in up to 2,160 data points, assuming 240 data lines are used.

4. Floorplan

a. Introduction

The Vehicle ABS Sponsors that issue floorplan ABS (the "Floorplan ABS Sponsors") do not believe that floorplan ABS is compatible with asset-level disclosure requirements. The risk of revealing confidential dealer information, the enormous burden of reporting on a huge number of very short-term loans and the inapplicability of the asset-level categories to floorplan arrangements all combine to make disclosure of asset-level data completely inappropriate. The extent of data disclosure required by the Proposal would expose virtually the entire business of an auto dealer to public scrutiny: its locations, how many loans it receives, the pricing of loans it receives, the mix of vehicles sold, the pace at which sales occur, and so on.

A "grouped account" approach can work for floorplan ABS, but it needs to be based on a relatively small number of groupings. Unless the number is limited, there are simply not enough dealers— even among the largest floorplan lenders—to ensure that there would be a sufficient array of dealers in each group, so that the identity of an individual dealer could not be ascertained. The reports discussed below will provide specified information for each of the account groups.

The Floorplan ABS Sponsors propose to provide this data periodically, so that it would be available to investors in existing floorplan ABS and to investors in subsequent series of floorplan ABS.

We propose that a floorplan ABS issuer would be required to provide the data in Appendix F-1, "Key Monthly Data for [Name of Trust]" each month as a part of its report on Form 10-D. Further, we propose that a floorplan ABS issuer would be required to provide the data in the three charts included in Appendix F-2 on a quarterly basis, again by filing as part of a Form 10-D.

The Floorplan ABS Sponsors have had preliminary discussions regarding these proposals with investors in teleconferences hosted by the ASF. The reception to these proposals by the investors in attendance was very positive. The investors quickly recognized that asset-level data was inappropriate for floorplan loans. However, the shortness of time left the ASF unable to confirm that investors had officially accepted these proposals. We anticipate continuing discussions with investors on these points, and we are hopeful that we will come to a quick agreement. If so, the ASF will submit a supplemental letter reflecting the consensus.

b. <u>Monthly Data</u>

Appendix F-1 shows an example of the first set of proposed additional floorplan data. We would report data in a series of data lines that are based upon the following two attributes:

1. Dealer Risk Group (3 to 5 categories)

"Dealer Risk Group" means the risk classifications used by the sponsor of the floorplan ABS in evaluating the financial condition of each of its dealers. The sample sponsor in Appendix F-1 has four principal risk group categories: I, II, III and IV. Among the Floorplan ABS Sponsors, the number of risk groupings ranges from three to five. Each sponsor would use its own categories, the characteristics of which it will have described in the prospectus along with its underwriting and monitoring practices.

2. Geographic Location (up to 10 categories)

As described in "Pool Asset Disclosure — Introduction" above, the ability to pinpoint the location of a dealer would make it easy to identify that dealer. There are many states in which a floorplan lender might well have just one or two dealers. As a result, the groupings for dealers will usually need to be at a higher level than a State in order to preserve dealer confidentiality. The Floorplan ABS Sponsors propose permitting each floorplan ABS issuer to select the appropriate geographic territories for use in presenting its floorplan data. In the example provided in Appendix F-1, the floorplan ABS issuer is using the four census regions, the nine census divisions and a category of "National" as the measures of geographic location. A floorplan issuer with relatively few dealers (*e.g.*, 300) spread out across the United States might just use the four census regions and "National."

The Floorplan ABS Sponsors selected these elements to use in grouping because they are the most useful way to break down the dealer population. The risk category is the sponsor's own measure of the creditworthiness of the dealer. It is used by the sponsor in its floorplan operations, and it generally determines the type and frequency of dealer monitoring and credit line management. No industry standard exists for the assessment of dealer credit risk. Accordingly, we propose that each issuer utilize its own risk categories. Use of geographic location provides the investor with the distribution of the dealer population and would allow the investor to assess the risks of geographic exposure and concentration.

Information for each Data Line. For each data line, floorplan loan issuers would provide the following information:

- Number of Accounts
- Percentage of Accounts
- Age Distribution (Days Outstanding, broken into subcategories)
- Beginning of Period Principal Balance
- Principal Collections
- Principal Adjustments
- Principal Reduction - Redesignated Accounts
- Defaulted Loans
- New Loans
- Added Loans (additional designated accounts)
- End of Period Principal Balance
- Percentage of End of Period Principal Balance
- Payment Rate
- Losses or (Recoveries)
- Interest Collections
- Used Vehicle Balance

The Floorplan ABS Sponsors propose that the servicer would be required to file the updated grouped account data each month.

c. Quarterly Data

In addition, on a quarterly basis, the Floorplan ABS Sponsors propose to provide investors with information of the type set out in Appendix F-2, which is significant additional information that is not currently provided in this level of detail in floorplan ABS programs:

1. Age Distribution of Loans by Risk Group

This chart would stratify the floorplan loans held by the issuer according to the age of the loan and the risk grouping of the dealer.

2. Age Distribution of Loans by Financed Vehicle Type

This table shows, for each make or model or vehicle type that comprises 2% or more by value of the vehicles underlying the securitized pool assets, the age distribution of the related loans.

3. Account Balance Distribution

This table groups all dealer accounts by two characteristics: the account balance and the dealer risk grouping.

The Floorplan ABS Sponsors believe that each sponsor should be able to select the appropriate ranges to use in each of these tables. It would not be appropriate to adopt standard categories, because different sponsors have very different account sizes. The Floorplan ABS Sponsors believe that this sort of judgmental determination is inescapable with respect to floorplan ABS. We each run our floorplan business in our own way; it would not be appropriate to require us to conform to a standardized approach when we do not run our businesses in that fashion.

For example, different sponsors utilize a different number of risk categories. It would be unworkable to try to force every sponsor to report its rankings in, say, five categories. For those who use just three or four categories in their own businesses, it would be impossible to map their system onto a five category system.

We also note that there are relatively few floorplan ABS sponsors. Among the Vehicle ABS Group, just six of us are issuers of floorplan ABS. We do not think it is unreasonable to ask investors to do the work necessary to appreciate the differences in our programs.

B. Waterfall Computer Program

The Proposal would require issuers to create and file downloadable source code in the Python programming language containing what the Commission has labeled a Waterfall Computer Program[30] in connection with each ABS public offering. We are greatly concerned about a number of aspects of this part of the Proposal, which we call the "Waterfall Program Proposal." We believe the Waterfall Program Proposal contains many elements that are problematic, and our view currently is that the Commission should abandon this element of the Proposal.

1. The Waterfall Program Proposal inappropriately combines two different processes

A principal concern that we have with the Waterfall Computer Program is that it takes two distinct aspects of securitization—monthly distribution reports and ABS modeling—and requires issuers to provide a single program that can do both.

Clauses (i) and (iii) of proposed Item 1113(h)(1), in effect, require the program to produce a monthly distribution report. Clause (i) specifies that the program give effect to *all* rules in the transaction agreements by which the funds available for distributions are made available. A portion of clause (iii) then specifies that the output of the program should include the amounts payable to "each . . . person or account entitled to payments or distributions in connection with the securities."

Clauses (ii) and (iii) of proposed Item 1113(h)(1) require the program to perform ABS modeling. The interaction of these provisions requires that the Waterfall Computer Program enable a user to input the user's own assumptions about future performance of the collateral and

[30] Proposed Item 1113(h) provides the following definition:

(1) For purposes of this paragraph, a Waterfall Computer Program shall mean a computer program that:

(i) gives effect to the provisions in the transaction agreements that set forth the rules by which the funds available for payments or distributions to the holders of each class of securities, and each other person or account entitled to payments or distributions, from the pool assets, pool cash flows, credit enhancement or other support, and the timing and amount of such payments or distributions, are determined;

(ii) provides a user with the ability to programmatically input:

(A) the user's own assumptions regarding the future performance and cash flows coming from the pool assets underlying the asset-backed security, including but not limited to assumptions about future interest rates, default rates, prepayment speeds, loss-given-default rates, and any other assumptions required to be described pursuant to Section 229.1113; and

(B) the current state and performance of the pool assets underlying the asset-backed security by uploading directly into the computer program the initial XML-based Asset Data File (as defined in §232.11 of this chapter) and any subsequent monthly updates to that file; and

(iii) produces a programmatic output, in machine-readable form, of all resulting cash flows associated with the asset-backed security, including the amount and timing of principal and interest payments payable or distributable to a holder of each class of securities, and each other person or account entitled to payments or distributions in connection with the securities, until the final legal maturity date as a function of the inputs described in paragraph (h)(1)(ii) of this section.

extrinsic factors, upload the Asset Data File and produce—for each remaining month of the transaction—output of all resulting cash flows. The effect is to require the program to anticipate any and all contingencies in the operative text and to provide outputs for all possible scenarios.

The Waterfall Program Proposal inappropriately conflates monthly distribution reports and ABS modeling programs. Monthly distribution reports are *descriptive* documents that precisely follow the operative text, but only with respect to what actually happened in the prior month. ABS models, in contrast, are *predictive* programs that produce results for the life of the ABS transaction; but they do so by making simplifying assumptions, ignoring a variety of possible contingencies and producing far less detail than is found on monthly distribution reports.

For all ABS transactions of which we are aware, the process for producing descriptive monthly distribution reports is entirely separate from the predictive ABS modeling process. Programs do not exist that provide the level of predictive functionality envisioned by the Commission. We believe that it is inappropriate and unreasonable for the Commission to seek to mandate programs that combine these processes.

2. Programs do not exist that would meet the Proposal's specifications

Initially, we note that a false premise underlies the Waterfall Program Proposal. The Commission states, in the Paperwork Reduction Act analysis within the Commentary, that the Commission "believe[s] issuers already produce such a code to structure the ABS deal."[31] Quite simply, that statement is incorrect. None of the Vehicle ABS Sponsors owns or operates internally any ABS computer model that predicts the performance of its ABS.[32] Developing that sort of ABS model would add a substantial burden for each of us.

It is the case that the underwriters and initial purchasers with whom we work on term transactions have certain predictive modeling capabilities. Indeed, we generally rely on the underwriters to generate the modeling results that are provided to rating agencies for the purpose of testing various scenarios.[33] This sort of modeling also underlies the "weighted average life" tables that are routinely included in offering documents for offerings backed by pools of retail loans and leases. We refer to these models as "underwriter models."

We also note that an active third party, investor-oriented ABS modeling industry has developed over the past 25 years. Companies such as Intex, Bloomberg and Interactive Data provide ABS investors with state of the art ABS modeling capabilities. These vendors have spent many years and tens of millions of dollars developing their predictive models. We refer to their models as "vendor models" and we refer to underwriter models and vendor models collectively as "predictive models."

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[31] 75 Fed. Reg. 23405.
[32] One of the Vehicle ABS Sponsors does its own modeling (for retail auto loan ABS only), but it utilizes Intex software for that process.
[33] We understand that, in certain sectors of the ABS market, output from these models may be provided to investors as ABS informational and computational material. However, that practice is not prevalent in our sectors of the ABS market.

Although predictive models exist, they do not meet the standards of precision that the Commission specifies in the Waterfall Program Proposal. Among the shortcomings of these models, when compared to the Proposal's requirements, are the following:

- Most glaringly, virtually no predictive models exist for floorplan master trusts, except in a rudimentary form. The modeling of master trusts presents many difficult challenges, as discussed below in greater detail.

- Even for simpler amortizing ABS structures, the modeling does not contain code that could accurately direct distributions for every situation that is contemplated by the operative language in the transaction agreements (which we will call the "operative text") in the fashion contemplated by Item 1113(h)(1)(i). Examples of the simplifications that are standard in predictive models include the following:

  - If the ABS issuer issues floating rate notes, it will enter into one or more interest rate swaps with a counterparty. The operative text will contain specifications for re-direction of cash flows in the event of a swap termination event (which might be further subdivided as either a senior swap termination event or a subordinated swap termination event), including payment of any swap termination amount that is owed by the ABS issuer. However, no predictive models presently contain code that anticipate, or could properly process, the effect of a swap termination.

  - For some Vehicle ABS Sponsors, the amount of principal and interest collected with respect to repossessed vehicles may be adjusted to permit the servicer to retain a discretionary amount in respect of its expenses in refurbishing and selling the repossessed vehicle. These amounts, which tend to be relatively small, are not specifically broken out in existing predictive models.

  - Predictive models for amortizing ABS do not contain provisions for payments following the occurrence of an event of default, given the exceedingly low likelihood of such an occurrence.

  - When an obligor prepays a retail loan, the obligor must pay the full principal amount. For those securitizations in which the principal balance of the retail loan is discounted, that principal amount is often larger than the discounted value for the loan utilized in the securitization. A predictive model cannot estimate or capture this "prepayment surplus," but that amount is treated as a collection and made available to the transaction. A similar result can occur upon the prepayment of a lease, due either to discounting of the lease amount or to the lessee buying (at contract value) a vehicle that had a lower securitization residual value.

  - Amortizing ABS transactions sometimes include an obligation of the servicer to advance delinquent payments of principal and interest (or, in lease securitizations, the lease payment or even the residual value), and a provision that reimburses the servicer for those advances at a later time. The net effect to the investor is, generally speaking, the same as if the obligor had made its payment on a timely basis (or the vehicle had been sold earlier), and predictive models generally do not distinguish whether a given inflow constitutes an actual payment or a servicer advance.

- Amortizing ABS transactions for certain types of receivables will sometimes have special arrangements for the treatment of "payaheads," which are payments made by obligors in excess of the required monthly payment. These arrangements usually include the setting aside of the excess portion of such payment for application in a subsequent month. The predictive models do not account for these sorts of arrangements.

- In lease ABS transactions, there are a variety of unusual circumstances that can occur that have, at the margin, a very modest effect on cash flows. The operative text will sometimes contain detailed arrangements for items such as (i) payments on leases which have been extended beyond their normal termination dates and (ii) participation by lessees in manufacturer-sponsored programs that encourage lessees to turn in their vehicles prior to termination (and that may require the servicer to fund the shortfall in lease payments). Predictive models will generally contain provisions addressing prepayments, but they do not precisely break down the sources and applications of funds in the way specified by the operative text. Predictive models simply cannot handle extensions.

- In certain states, a portion of each monthly lease payment must be paid to the state as sales or other taxes. Servicers handle this process, and often that portion of the payment is not even treated as a collection; but the operative text may contain provisions dealing with this situation. A strict reading of the Proposal suggests that even this detail would be required to be included in the Waterfall Computer Program.

- Small amounts payable out of the cash flows, such as trustee fees and expenses, are generally ignored.

- Predictive models do not provide for the repurchase of assets from an issuer due to breaches of representations or warranties or to servicer covenant breaches.

- None of the predictive models are written in Python. Some underwriter models utilize Excel, which we consider to be a widely accepted and understood format, as well as one that is available to virtually everyone. (Java is another programming language that is widely available and with which we are familiar.)

- Predictive models for retail loan and lease ABS do not utilize asset-level data for all of the securitized assets. Rather, they use "rep lines," which represent aggregated groupings of the retail loans or leases in the underlying pool.

As illustrated above, both the inputs to, and the outputs from, predictive models diverge significantly from the operative text. They are designed to enable an investor to understand, in different scenarios, how the feature most relevant to the investor—the cash flows on the security itself—can be expected to perform. A predictive model is *not* designed to accept as inputs every kind and character of cash flow into the ABS issuer or to delineate as outputs every payment out of the ABS issuer. Adding that level of descriptive detail to a predictive model would be exceedingly difficult, if not impossible, and exceptionally costly.

3. <u>The modeling of master trusts raises particular problems</u>

Master trusts present unique problems in predictive ABS modeling. As we note above, only rudimentary predictive models exist for floorplan master trusts, even though floorplan trusts have been in use for at least 20 years. We do not think that is due to lack of interest. Rather, we think it is inherent in the nature of master trusts, in which both the assets and liabilities can (and often do) change significantly over time. Master trusts are simply too dynamic to be able to create a model that is useful in predicting the ongoing performance of the trust's assets or securities.

A master trust holds a single pool of assets that supports multiple series and classes of notes. The pool of assets revolves on a daily basis. The master trust's assets are the amounts borrowed by the underlying obligors (dealers, for floorplan master trusts). Those amounts fluctuate, as the purchases of new vehicles create borrowings and the sales of vehicles give rise to repayments. The terms under which dealers borrow may change, due to promotions or incentives provided by manufacturers, or to a dealer's achievement of volume targets, or to renegotiation of a dealer's terms with the finance company.

A master trust issues and repays series and classes of notes on an ongoing basis. As series or classes mature, they are repaid; a new series or class may, but need not, be issued. Often, a master trust will issue one or more variable funding notes, under which the amount outstanding can fluctuate frequently. Thus, the liability side of the master trust is also a moving target.

The effect of the variability of the assets and liabilities is to make it entirely speculative to try to model the performance of a master trust over the three to ten year maturity of most term ABS. It is simply not possible, even for the sponsor, to know or to project what the collateral composition or amount will be in the master trust in the future, or what array of ABS notes will be outstanding over time.

Other features of master trusts further impede any effort to model performance over an extended period. One such feature is the extensive set of "sharing" provisions typically contained in series issued by master trusts. These provisions take amounts of collections that have been allocated to a given series, but which are not required by that series in that month, and make them available to other series that need additional amounts in that month. These sharing provisions are, generally speaking, designed to provide potential additional benefits to series that turn out to be struggling. However, they are extremely intricate arrangements that would be exceptionally time-consuming to program. We do not believe that existing predictive models of master trusts generally give effect to these sharing provisions, and we do not believe it would be economically feasible to create models that give effect to such arrangements.

Another feature of master trusts that complicates modeling is the issuance of privately placed series of notes by master trusts. The terms of these series, such as the interest rates and usage fees, are confidential and should remain so. Under the Waterfall Program Proposal, however, a complete description each month of the potential cash flows relating to the master trust arising under any of a myriad of user-selected scenarios would require disclosure in the model of all relevant and confidential terms of the privately-placed securities.

4. <u>The Waterfall Program Proposal is overreaching</u>

We think the Waterfall Program Proposal is an unprecedented and dramatically overreaching extension of the disclosure paradigm on which the federal securities laws are built. In addition to the specific issues discussed above, we point out the following:

Complexity. The proposal glosses over the enormous complexity of the regime it seeks to impose on issuers, particularly in the area of ABS master trusts. Although vendors have been developing predictive models for over 25 years, they still have only rudimentary models for master trusts. Yet the Commission expects issuers to produce precise replicas of the operative text, including everything in series supplements, in a programming language not previously used for such models, from a virtual standing start.

The Commission also seems to think that access to the underlying code will provide investors with greater transparency, but that logic will only apply to investors who have the sophistication and resources to de-code the workings of the program. To those investors without that capacity, the program will simply be another "black box" that they do not understand.

Cost. Implementing the Waterfall Program Proposal would be expensive for issuers. Virtually none of them do predictive modeling themselves at present, so they will need to pay to acquire the programming. Moreover, the requirements that take this modeling above and beyond current practice, and that impose a high liability standard, will raise the costs substantially, as issuers seek to attain the necessary level of accuracy and reliability.

Based in part on the major misconception that sponsors already have predictive waterfall programs, the Commission estimates that it will take just 672 hours of programming time for a sponsor to reprogram the code into Python—a one-time exercise—and just two hours of time to verify the code for each individual offering.[34] The Commission estimates this cost at $159,600 per sponsor for the one-time conversion,[35] and at a de minimis level for each new offering.

We suspect the Commission's estimate is not even within an order of magnitude of the correct level. Even if an issuer can acquire some kind of existing technology, which will be far from costless, it will then need to add in the incremental precision demanded by the Waterfall Program Proposal *and* convert the program to Python. On an ongoing basis, the need for significant due diligence efforts by underwriters, lawyers, auditors and programmers to verify the accuracy of the programs for each new issuance will add significant additional costs.[36]

[34] 75 Fed. Reg. 23405.
[35] 75 Fed. Reg. 23413.
[36] We also think the Commission has mis-estimated the expense for sponsors who have multiple platforms. The Commission's estimates seem to assume that a given sponsor will need to incur these costs just once. That assumption is incorrect. A sponsor with multiple programs (like many of us) will need to incur these costs for each program. The program for a retail auto loan ABS would differ in many ways from the program for an auto lease ABS. The program for a floorplan master trust offering would differ even more dramatically.

Novelty. We believe the Commission greatly underestimates the novelty of this proposal and the difficulties that will accompany implementation. The problems begin with the idea of using Python, which is a programming language used by no one in the ABS industry. Indeed, a Vehicle ABS Sponsor that has over 600 people in its Information Technology department has no Python-based programs and is not aware of any of its personnel having Python programming capability. Not only do knowledgeable resources likely not exist to generate predictive waterfall programs on the requisite scale if all issuers were to attempt to build the programs, but the Commission would be casting aside the significant development work that has occurred among vendors in favor of a completely untried and unproven approach.

In effect, the Waterfall Program Proposal would require each of us to become a software developer and distributor. We do not have the staff for that line of business, we do not have the systems for that line of business, and we do not believe it is appropriate for the Commission to require us to enter that line of business. We are finance companies, not software companies.

Precision. The idea that the waterfall program must exactly mirror the operative text—including all contingencies—raises the stakes substantially for sponsors. Indeed, this feature of the rule would impose a *higher* standard on the waterfall program than exists for the prospectus disclosure of these provisions under Item 1113, which permits the omission of various immaterial features. As we note above, even state-of-the-art models today make a number of simplifying assumptions. If this requirement as drafted were enforced for master trust issuers, it would force them either to simplify their structures dramatically to eliminate the "sharing" features across series or to exit the market. The irony of that simplification is that these sharing features are there *for the benefit of investors;* they permit series that have shortfalls in cash flows to use the excess cash flows from other series. Eliminating the sharing would increase the risks to investors, as any extra funds would, by and large, just revert to the issuer.

Another problem we have identified is that the Waterfall Program Proposal does not contemplate the inevitably of rounding differences. We understand, for example, that the same Python program can actually generate different results, depending on the hardware on which it is run, as a result of different bit lengths on that hardware. Rounding differences will also occur between the Python program and monthly distribution reports, due to the variety of different platforms and different programming languages that are used by servicers to prepare the reports.

Strict Liability. The Waterfall Program Proposal would, potentially, impose a strict liability standard on ABS issuers for a novel and complex disclosure requirement in registered offerings.[37] The Commission seeks to mandate a practice for all issuers that essentially no issuers have previously undertaken, in a field that is likely to require virtually all issuers to hire or outsource the expertise.

In other contexts relevant to ABS issuers, the Commission has specified that novel disclosures would have no liability (such as pre-2006 static pool data) or be subject to an antifraud liability standard (as in the case of free writing prospectuses). The Commission has included no such limitation in the Waterfall Program Proposal. As a result, we are assuming that

[37] The ABA Comment Letter, which is expected to be submitted, a draft of which we have seen, contains an excellent discussion of the ambiguity in the Proposal regarding the liability to which ABS issuers would be subject. We agree with that analysis.

ABS issuers would be subject to a strict liability standard. We think that the presence of a strict liability standard will provide a compelling additional reason for issuers to avoid registered offerings. Such a development, would not, we believe, be advantageous either to issuers or investors.

For all of the reasons we articulate in this letter, we think mistakes in Waterfall Computer Programs are inevitable. In such circumstances, we believe that a standard of strict liability for any error, even if made in good faith and with no intention to mislead, is inappropriate.

Collateral Engine. The Commission proposes that the Waterfall Computer Program permit a user to make its own assumptions about extrinsic factors, such as interest rates, and pool performance measures, such as loss rates. This feature of the proposal goes well beyond the "disclosure" paradigm that has always been the Commission's focus in securities offerings, and thrusts the issuer into a position of providing the investor with tools to speculate on outcomes.

We think this aspect of the Waterfall Program Proposal is particularly dangerous, both for its unprecedented nature in *requiring* issuers to speculate on future developments and for the liability to which it could subject issuers. Which variables, exactly, should issuers allow investors to manipulate? Will an issuer be at risk for claims that it did not design a sufficiently robust collateral engine? There are hundreds of ways to manipulate data to speculate on outcomes, as shown by the vibrant existing market for collateral engines.

Comparability. We think that one of the unintended consequences of the Waterfall Program Proposal would be a significant decline in investors' ability to compare different ABS. Although some investors have in-house modeling capacity, we believe that it is far more common for investors to use vendor models. The vendors offer platforms with standardized controls and formatting. Learning to use any one of their systems is time-consuming, but an educated user can quickly compare ABS from different issuers on a given vendor platform.

In a world in which each issuer is responsible for creating its own waterfall program, it is inevitable that there will be great variations in the "look and feel" of various issuer programs. Form and functionality will vary greatly across issuers. Outputs will no doubt have widely differing formats. For an investor in a given asset class, the aggregate time needed to learn how to operate the Waterfall Computer Program produced by each individual issuer will dwarf the time commitment required to operate a third party vendor's platform. Far from benefitting investors, we think the proposal will increase their workload.

5. <u>The predictive modeling "solution" already exists</u>

For many ABS asset classes, the solution already exists to the problem that the Waterfall Computer Program seems designed to solve. That solution is the robust market for the use of vendor models. These vendors have invested heavily in their collateral engines and waterfall programs, and they have gained broad acceptance in the marketplace. These vendors have developed standard interfaces for data and standard formats for their customers, the investors, to utilize. Files for the use of these models on a pre-sale basis are routinely made available for investors to utilize in modeling particular transactions. These vendors offer collateral engines with vastly greater capacity than we believe the Commission intends to require from ABS issuers. Indeed, we suspect that the vendor models will continue to be the "go to" models even if the Commission were to compel issuers to prepare Waterfall Computer Programs.

We understand that access to these models requires investors to pay fees to the vendors. But that has not stopped this market from developing, and it will not stop its further growth. Nor should it be a reason to require duplicative efforts by ABS issuers. Investors who are serious purchasers of ABS can afford to purchase these services; we suspect that many investors choose to pay fees to multiple vendors in order to access their models.

The incremental costs that the Commission would impose upon ABS issuers to generate their own Waterfall Computer Programs would, we believe, be staggering. By contrast, the incremental vendor subscription costs that would have to be incurred by those (probably few) serious ABS investors who do not currently use vendor models would, we think, be relatively minor. We just do not think it is appropriate to impose so great a cost on issuers for so little a marginal benefit.

We believe that the Waterfall Computer Program, as proposed, is unworkable. We urge the Commission to abandon this proposal. We understand that the ASF intends to continue a dialogue among issuers and investors, in the hopes of developing an industry consensus. Many of the Vehicle ABS Sponsors intend to participate in that discussion. We hope that process will produce a consensus we can support. Should we have further views to report, we will provide them in a supplemental letter.

C. Transaction Parties

1. Identification of Originator

In almost all of our term ABS transactions, the Vehicle ABS Sponsor has originated all of the receivables that it securitizes. However, a few of us have at times securitized receivables that we acquired from other originators, either directly by purchasing pools of receivables or indirectly by acquiring a third party originator as a whole.

When a securitized pool of receivables contains assets originated by third party originators, we agree that including additional information about these originators can be appropriate. However, we believe that requiring disclosure of *every single* originator if aggregate non-sponsor originated assets exceed some threshold (10% in the Proposal) is excessive. Some third party originators could account for very small portions of the pool. If there are a small number of assets from a third party originator, but disclosure exists for the originators of a great majority of the assets, then we believe that the cost of the incremental disclosure would outweigh the questionable benefit of the incremental disclosure. In this circumstance, the modest contribution of such an originator to the pool simply does not seem to us to be material.

We suggest that the rule be constructed to require identification of originators of 10% or more of the pool, as is currently the case, and additional originators to the extent necessary so that information about the originators of at least 85% of the pool assets has been included in the prospectus.

2. Static Pool Information

The Proposal would amend Item 1105, Static Pool Information, in various ways. We have comments on several parts of these revisions.

By way of background, the Vehicle ABS Sponsors provide a great deal of static pool data to investors in ABS backed by amortizing pools of retail loans and leases. Some of us provide that static pool disclosure as an appendix to our offering documents, while others provide it on a website. The number of static pools described in connection with the most recent offering from each of the Vehicle ABS Sponsors ranged from a low of 3 to a high of 25. Our average number of static pools, across those offerings, was approximately 12 per offering.

The Proposal does not address paragraph (b) of Item 1105, which provides that data regarding vintage origination groupings should be provided for revolving asset master trusts "where material." Floorplan ABS are issued from master trusts that may contain virtually all of a sponsor's floorplan loans. As a result, there are no separate static pools the performance of which could be disclosed.

We recognize that credit card issuers often disclose information about "vintage originations" that group together all accounts originated in a given year, and then present information such as delinquency and loss for each vintage pool. However, vintage pool data regarding losses or delinquencies does not make sense for floorplan, for two principal reasons. First, many of the relationships with dealers go back for decades, which would make vintage origination year groupings meaningless. Second, the level of losses in floorplan transactions is almost always trivial. Delinquencies are also rare. So we do not believe that meaningful vintage origination data can be presented for this asset class.

Floorplan issuers do, though, provide other information that they believe is useful to investors in lieu of static pool or vintage origination data. Data on monthly payment rates, the aging experience of the receivables, the distribution of dealer credit ratings and the distribution of vehicle types are provided by many floorplan issuers in lieu of static pool or vintage origination data. We believe that our practice appropriately responds to the requirements of Item 1105(b).

a. Disclosure Required

The Proposal's revision to the lead-in language in Item 1105 would require "narrative disclosure" regarding the characteristics of each static pool. We are unclear on just what the Commission considers "narrative disclosure" to be. Our concern is that one might interpret narrative disclosure to require this information to be presented in complete sentences organized in paragraphs, rather than in tables.

All of us provide disclosure about each retail loan static pool[38] for which we are providing performance data. While formats vary significantly across Vehicle ABS Sponsors, the type of information we provide for each static pool is in some kind of tabular format. Here is an example of one type of format for a static pool, using representative values to provide context:

[38] We are using "static pools" in this letter to reference both prior securitized pools and vintage groupings.

Weighted Average APR………………………………………	2.25%
Aggregate Amount Financed………………………………	$1,116,445,009.66
Number of Contracts………………………………………	60,332
Weighted Average FICO Score……………………………	713
Average Amount Financed………………………………..	$18,388.87
Weighted Average Original Maturity (in months)………..	64.37

In total, we provide in the range of 12 to 20 such characteristics for each static pool. The presentation may include stratifications of the static pool by such measures as interest rate (in bands) or geographic concentrations. We provide comparable data in this format in our lease ABS static pool presentations.

We would appreciate the Commission's confirmation that data of this type constitutes "narrative disclosure." Disclosure in sentence and paragraph form would be far more cumbersome and inefficient than the tabular presentation we now employ.

The revised lead-in language to Item 1105 would also require "a description of how the static pool differs from the pool underlying the securities being offered." We do not understand how this requirement adds anything to the prior "narrative disclosure" requirement. We hope that the Commission is not suggesting that, for each offering we make, we should include a description of how the securitized pool differs from each of the 3 to 25 static pools. We believe that sort of disclosure would provide no incremental value to investors, as it would simply compare the disclosed metrics for each pool.

Further, each Vehicle ABS Sponsor believes that its static pools are much more alike than different. While each pool will differ in minor ways from other pools, these differences are generally not material. But this proposal would require each of us to focus on the differences in our own pools, and the new requirement does not even limit the discussion to material differences. How is an issuer supposed to provide meaningful commentary on the differences among static pools? Should we assume that an investor considers geographic differences among pools more relevant than, say, differences in the makes and models of the financed vehicles? Should we assume that investors are more interested in weighted average remaining maturity than in FICO scores? We do not know how to make those assessments; we think we would end up simply comparing every aggregate statistic for the static pool with the corresponding statistic for the securitized pool. Such a disclosure would be expensive to create and not useful to investors, who can easily make those comparisons themselves on a more selective basis for those characteristics that they consider meaningful.

Item 1105(a)(iv) of the Proposal would also require the graphical presentation of information regarding delinquencies, prepayments and losses for each static pool. While we are willing to provide these graphs if required to do so, we are skeptical of their value. First, we note that each issuer's ability to select the dimensions of its axes would likely reduce the comparability of the graphs from one issuer to the next. Second, we think that these charts could have so many lines on them as to be illegible. That would occur if a single chart for a given characteristic (*e.g.*, prepayments) is supposed to include a trend line for each securitized pool. With up to 25 lines showing, such a chart could be of limited value. Third, we have consistently heard from investors that they prefer the actual data points over graphs, because they cannot ascertain precise data points from graphs. Investors can also take the tabular data and produce their own graphs, if they so desire.

b. Amortizing Asset Pools

The Commission proposes to revise the static pool provisions for amortizing asset pools to require issuers to report delinquency information in 30 day increments through the point that assets are charged off as uncollectible.

The retail loans and leases securitized by Vehicle ABS Sponsors are collateralized by vehicles, the values of which invariably decline over time. As a result, the servicer of a vehicle pool never has any incentive to delay repossession and resale of a vehicle, once it has determined that the asset is uncollectible. We generally effect repossessions when a retail loan or lease is 60 to 100 days past due. Once we repossess a vehicle, we sell it through a vehicle auction or other sales channel as promptly as practicable. Typically, the sale occurs within 30 to 45 days of repossession.

As a result, for each of us, there are very few delinquencies that extend beyond 120 days past due. The bulk of the retail loans or leases that fall into this category are those involving bankrupt obligors and they are typically a very small fraction of any pool.

The transaction agreements for amortizing pools securitized by most Vehicle ABS Sponsors require those sponsors to charge off assets that reach 120 days past due, whether or not the servicer has independently made that decision for its own (non-securitization) purposes. However, a few of the Vehicle ABS Sponsors are not required to charge off delinquent assets for purposes of their transaction agreements until the servicer has made that decision for non-securitization purposes.

Accordingly, we request that the disclosure requirement in Item 1100(b) for delinquent assets be modified so that, for delinquent assets that are secured by depreciating property, delinquencies need to be reported in three 30-day buckets up to 120 or 121 days past due (*e.g.,* 31-60, 61-90 and 91-120) and then in one incremental bucket of all assets that are more than 120 or 121 days past due. The comment letter being submitted by the ASF contains precise language proposing this change to Item 1100(b), and we endorse that language.[39]

III. Definition of Asset-Backed Security

The proposed revisions to the definition of "asset-backed security" would reduce the permitted revolving period for transactions involving non-revolving assets from three years to one year and reduce the amount of permitted prefunding from 50% to 10%. These changes would mean that securities that would otherwise meet the requirements for registration on Form SF-3 would now be ineligible for delayed offerings pursuant to Rule 415 and would require transaction-by-transaction registration. As stated earlier, the Vehicle ABS Sponsors support the

[39] You have also proposed to add an instruction to Item 1121(a)(9) that pool-level disclosure in periodic reports should be provided in accordance with Item 1100(b). We note that our proposed change to Item 1100(b) would also affect our presentation of delinquency information in our Form 10-D filings. We believe that presenting the data in this style is appropriate in these ongoing reports as well, for the same reasons set forth above.

effort to provide timely and detailed disclosure regarding pool assets to investors so that they can make their investment decisions. However, we do not agree that these new limitations reasonably further that goal or benefit investors. The primary effect of not being able to register these types of securities offerings on Form SF-3 would be to increase the temporal and cost burdens placed on issuers and limit the ability of issuers to access the capital markets quickly in order to benefit from favorable market conditions.

Contrary to the Commission's assertion that compliance with the new proposal would not substantially change market practice, several Vehicle ABS Sponsors have completed shelf offerings of ABS that would have been prohibited by the proposed revisions. The sponsors of these offering believe that these transactions were well received by the market and were more cost effective than similar transactions that would not have had the prefunding or revolving feature. In addition, the sponsors of these transactions do not believe there has been any significant difference in the performance of these types of transactions from similar transactions without these features, regardless of whether the amount of prefunding or the length of the revolving period was above or below the proposed limits. The Commission has acknowledged in the proposing release that they do not know there to be problems with revolving transactions. In light of these facts, we question the necessity of making changes where the current practice is working well.

A concern has been expressed that the asset pools that are the subject of these types of transactions are not sufficiently developed at the time of an offering to fit within the ABS disclosure regime, which results in investors not receiving appropriate information about the securities being offered. We believe that the disclosure requirements applicable to shelf offerings do provide investors with ample and timely information with which to make their investment decisions. The disclosure regarding the composition of the initial asset pool for a transaction with prefunding or a revolving period is the same as would be provided for a transaction involving a simple amortizing asset pool. In addition, it is the experience of the Vehicle ABS Sponsors that have offered these types of securities that the assets added to the pool are subject to strict eligibility criteria, concentration limits and covenants on selection procedures that ensure that the final asset pools are within expected parameters. In addition, information with respect to the additional pool assets that is equivalent to the information supplied with respect to the initial pool assets is made available to investors so that they may monitor the composition of the asset pool and compliance with the specified eligibility requirements.

A concern has also been expressed that asset pools that have significant revolving or prefunding features do not meet the "discrete pool" requirement. We note that exceptions to this requirement are made in circumstances where the benefits to be obtained from the exception outweigh the burdens. We believe that there are substantial benefits to issuers. These include: decreased costs, the ability to create transaction terms that are not otherwise available, the ability to take advantage of favorable market conditions, and time savings. These types of transactions have performed well in the past and there are substantial safeguards in place to ensure that investors are protected.

Therefore, the Vehicle ABS Sponsors believe that the current rules with respect to prefunded and revolving transactions are an appropriate balance between providing issuers with flexible transaction structures and providing investors with ample and timely disclosure for making their investment decisions and strongly urge the Commission to retain the current three year revolving period and 50% prefunding limitations.

* * * * *

We greatly appreciate the hard work that the Commission and its staff have put into the Proposal. We also appreciate the opportunity to comment on the Proposal. If the Commission or the staff desires, we would be happy to discuss further any of the points in this letter.

Sincerely,

ALLY FINANCIAL INC.

By: /s/ CHRISTOPHER A. HALMY
Name: Christopher A. Halmy
Title: Structured Funding Executive

AMERICAN HONDA FINANCE CORPORATION

By: /s/ JON NOMURA
Name: Jon Nomura
Title: Director of Securitization

AMERICREDIT CORP.

By: /s/ CHRIS A. CHOATE
Name: Chris A. Choate
Title: Executive Vice President, Chief Financial Officer and Treasurer

By: /s/ SUSAN B. SHEFFIELD
Name: Susan B. Sheffield
Title: Executive Vice President, Structured Finance

By: /s/ SHELI FITZGERALD
Name: Sheli Fitzgerald
Title: Vice President, Structured Finance

BMW US CAPITAL, LLC

By: /s/ JOACHIM HERR
Name: Joachim Herr
Title: President

CARMAX, INC.

By: /s/ THOMAS W. REEDY
Name: Thomas W. Reedy
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CHRYSLER FINANCIAL SERVICES AMERICAS LLC

By: /s/ LELAND WILSON
Name: Leland Wilson
Title: Executive Vice Chairman and Chief Financial Officer

By: /s/ LAURENCE GUINDI
Name: Laurence Guindi
Title: Vice President and Treasurer

DCFS USA LLC
D/B/A MERCEDES BENZ FINANCIAL

By: /s/ BRIAN T. STEVENS
Name: Brian T. Stevens
Title: Chief Financial Officer

By: /s/ KENNETH D. CASPER
Name: Kenneth D. Casper
Title: Vice President

FORD MOTOR CREDIT COMPANY LLC

By: /s/ SCOTT D. KROHN
Name: Scott D. Krohn
Title: Assistant Treasurer and Director of Securitization

By: /s/ SUSAN J. THOMAS
Name: Susan J. Thomas
Title: Secretary and Associate General Counsel

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

By: /s/ J. DARRELL THOMAS
Name: J. Darrell Thomas
Title: Vice President and Treasurer

HYUNDAI CAPITAL AMERICA

By: /s/ MIN SOK RANDY PARK
Name: Min Sok Randy Park
Title: Acting Chief Financial Officer

NAVISTAR FINANCIAL CORPORATION

By: /s/ MARY ELLEN KUMMER
Name: Mary Ellen Kummer
Title: Vice President and Assistant Treasurer

NISSAN MOTOR ACCEPTANCE CORPORATION

By: /s/ CHRISTIAN BAUWENS
Name: Christian Bauwens
Title: Treasurer

SANTANDER CONSUMER USA INC.

By: /s/ ANDREW KANG
Name: Andrew Kang
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TOYOTA MOTOR CREDIT CORPORATION

By: /s/ CHRIS BALLINGER
Name: Chris Ballinger
Title: Group Vice President, Chief Financial Officer and Global Treasurer

VW CREDIT, INC.

By: /s/ MARTIN LUEDTKE
Name: Martin Luedtke
Title: Treasurer

WORLD OMNI FINANCIAL CORP.

By: /s/ ERIC M. GEBHARD
Name: Eric M. Gebhard
Title: Treasurer

Attachments

Auto Loans - Data Appendices

R-1 Grouped Account Data (at Initial Deal Offering)

R-2 Additional Stratifications

R-3 Grouped Data (Ongoing)

Auto Leases - Data Appendices

L-1 Grouped Account Data (at Initial Deal Offering)

L-2 Additional Stratifications

L-3 Grouped Data (Ongoing)

Floorplan - Data Appendices

F-1 Grouped Account Data (Monthly)

F-2 Grouped Account Data (Quarterly)

Appendix R-1

Grouped Data (at Initial Deal Offering)

AUTO LOAN GROUPED CREDIT DATA

DEAL OFFERING

	Distributional Groups [1]					Information Required [2]					
	FICO	LTV	Payment To Income	New / Used	Original Term	Number Of Contracts	Aggregate Original Principal Balance	Aggregate Current Principal Balance	WA [3] Remaining Term	WA Contract APR	WA Scheduled Monthly Payment
	Up to 599	<=85	<=10	New	<=60						
	600-649	86-100	11-15	Used	61+						
	650-699	101-115	16-20								
	700-749	>115	>20								
	750+		Other								
	No FICO score										
Categories	6	4	5	2	2						
Cumulative	6	24	120	240	480	480	960	1,440	1,920	2,400	2,880

For each combination of the categories noted to the left, a value will be provided for each column heading noted above.

(1) As of loan origination
(2) As of deal cutoff date
(3) All weighted averages (WA) are weighted by principal balance at cutoff date

Appendix R-2

Additional Stratifications

AUTO LOAN DATA STRATIFICATIONS

DEAL OFFERING

TOP STATES

	Number Of Contracts	Aggregate Current Principal Balance	Percentage of Pool	WA FICO	WA LTV	WA Payment To Income	% New	WA Original Term	WA Remaining Term	WA Contract APR
State 1	-	$ -	- %	-	- %	- %	- %	-	-	- %
State 2	-	-	-	-	-	-	-	-	-	-
State 3	-	-	-	-	-	-	-	-	-	-
State 4	-	-	-	-	-	-	-	-	-	-
State 5	-	-	-	-	-	-	-	-	-	-
State 6	-	-	-	-	-	-	-	-	-	-
State 7	-	-	-	-	-	-	-	-	-	-
State 8	-	-	-	-	-	-	-	-	-	-
State 9	-	-	-	-	-	-	-	-	-	-
State 10	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-		
Total / WA	-	$ -	- %	-	- %	- %	- %	-		

%

TOP MAKE / MODEL

	Number Of Contracts	Aggregate Current Principal Balance	Percentage of Pool	WA FICO	WA LTV	WA Payment To Income	% New	WA Original Term	WA Remaining Term	WA Contract APR
Make / Model 1	-	$ -	- %	-	- %	- %	- %	-	-	- %
Make / Model 2	-	-	-	-	-	-	-	-	-	-
Make / Model 3	-	-	-	-	-	-	-	-	-	-
Make / Model 4	-	-	-	-	-	-	-	-	-	-
Make / Model 5	-	-	-	-	-	-	-	-	-	-
Make / Model 6	-	-	-	-	-	-	-	-	-	-
Make / Model 7	-	-	-	-	-	-	-	-	-	-
Make / Model 8	-	-	-	-	-	-	-	-	-	-
Make / Model 9	-	-	-	-	-	-	-	-	-	-
Make / Model 10	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-		
Total / WA	-	$ -	- %	-	- %	- %	- %	-		

%

AUTO LOAN DATA STRATIFICATIONS

DEAL OFFERING

MODEL YEAR

	Number Of Contracts	Aggregate Current Principal Balance	Percentage of Pool	WA FICO	WA LTV	WA Payment To Income	% New	WA Original Term	WA Remaining Term	WA Contract APR
2011	-	$ -	- %	-	- %	- %	- %	-	-	- %
2010	-	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-	-
Prior to 2004	-	-	-	-	-	-	-	-		
Total / WA	-	$ -	- %	-	- %	- %	- %	-		

%

REMAINING TERM

	Number Of Contracts	Aggregate Current Principal Balance	Percentage of Pool	WA FICO	WA LTV	WA Payment To Income	% New	WA Original Term	WA Remaining Term	WA Contract APR
0-6	-	$ -	- %	-	- %	- %	- %	-	-	- %
7-12	-	-	-	-	-	-	-	-	-	-
13-24	-	-	-	-	-	-	-	-	-	-
25-36	-	-	-	-	-	-	-	-	-	-
37-48	-	-	-	-	-	-	-	-	-	-
49-60	-	-	-	-	-	-	-	-	-	-
61-72	-	-	-	-	-	-	-	-	-	-
73+	-	-	-	-	-	-	-	-		
Total / WA	-	$ -	- %	-	- %	- %	- %	-		

%

-
-
-
-

AUTO LOAN DATA STRATIFICATIONS

DEAL OFFERING

ORIGINATION YEAR

	Number Of Contracts	Aggregate Current Principal Balance	Percentage of Pool	WA FICO	WA LTV	WA Payment To Income	% New	WA Original Term	WA Remaining Term	WA Contract APR
2010	-	$ -	- %	-	- %	- %	- %	-	-	- %
2009	-	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-
Prior to 2005	-	-	-	-	-	-	-	-		
Total / WA	-	$ -	- %	-	- %	- %	- %	-		

%

Contract APR

	Number Of Contracts	Aggregate Current Principal Balance	Percentage of Pool	WA FICO	WA LTV	WA Payment To Income	% New	WA Original Term	WA Remaining Term	WA Contract APR
0.00 to 0.99%	-	$ -	- %	-	- %	- %	- %	-	-	- %
1.00 to 1.99	-	-	-	-	-	-	-	-	-	-
2.00 to 2.99	-	-	-	-	-	-	-	-	-	-
3.00 to 3.99	-	-	-	-	-	-	-	-	-	-
4.00 to 4.99	-	-	-	-	-	-	-	-	-	-
5.00 to 5.99	-	-	-	-	-	-	-	-	-	-
6.00 to 6.99	-	-	-	-	-	-	-	-	-	-
7.00 to 7.99	-	-	-	-	-	-	-	-	-	-
8.00 to 8.99	-	-	-	-	-	-	-	-	-	-
9.00 to 9.99	-	-	-	-	-	-	-	-	-	-
10.00 to 10.99	-	-	-	-	-	-	-	-	-	-
11.00 to 11.99	-	-	-	-	-	-	-	-	-	-
12.00 to 12.99	-	-	-	-	-	-	-	-	-	-
13.00 to 13.99	-	-	-	-	-	-	-	-	-	-
14.00 to 14.99	-	-	-	-	-	-	-	-	-	-
15.00 to 15.99	-	-	-	-	-	-	-	-	-	-
16.00 to 16.99	-	-	-	-	-	-	-	-	-	-
17.00 to 17.99	-	-	-	-	-	-	-	-	-	-
18.00 to 18.99	-	-	-	-	-	-	-	-	-	-
19.00 to 19.99	-	-	-	-	-	-	-	-	-	-
20.00 to 24.99	-	-	-	-	-	-	-	-	-	-
25.00+	-	-	-	-	-	-	-	-		
Total / WA	-	$ -	- %	-	- %	- %	- %	-		

%

-

Appendix R-3

Grouped Data (Ongoing)

AUTO LOAN GROUPED CREDIT DATA

ON-GOING MONTHLY

	Distributional Groups (1)						Information Required											
										Number of Accounts				Amounts Applied During Reporting Period				
	FICO	LTV	Payment To Income	New / Used	Original Term	Delinquency	Number Of Contracts(2)	Aggregate Original Principal Balance	Aggregate Current Principal Balance	Repossessed	Paid in Full (3)	Charged-off(4)	Repurchased	Payments	Liquidation Proceeds (5)	Amounts Charged-off (6)	Post Charge-off Recoveries	Repurchase Amounts
	Up to 599	<=85	<=10	New	<=60	0-30	For each of the categories noted to the left, a value would be provided for each category noted above.											
	600-649	86-100	11-15	Used	61+	31-60												
	650-699	101-115	16-20			61-90												
	700-749	>115	>20			91-120												
	750+		Other			>120												
	No FICO score																	
Categories	6	4	5	2	2	5												
Cumulative	6	24	120	240	480	2,400	2,400	4,800	7,200	9,600	12,000	14,400	16,800	19,200	21,600	24,000	26,400	28,800

(1) Based on values at account origination, except for delinquency which is as of end of reporting period
(2) Includes contracts where vehicle repossessed but not yet sold
(3) Includes paid-in-full in accordance with the servicer's policies (small balance write-offs)
(4) Includes charge-offs due to skips and repossessions
(5) Amounts received on repossessions, including auction proceeds, before charge-off
(6) Includes small balance write-offs, and charge-offs due to skips and repossessions

Appendix L-1

Grouped Data (at Initial Deal Offering)

AUTO LEASE GROUPED CREDIT DATA

DEAL OFFERING

	Distributional Groups		Information Required (1)							
	FICO	Payment To Income	Number Of Leases	Aggregate Acquisition Cost	Aggregate Securitization Value	WA (2) Original Term	WA Remaining Term	WA Securitization Rate	WA Scheduled Monthly Payment
	Up to 599	<=10							
	600-649	11-15							
	650-699	16-20							
	700-749	>20							
	750+	Other							
	No FICO score								
Categories	6	5							
Cumulative	6	30	30	60	90	120	150	180	210

For each category at the left, a value will be provided for each of the above.

(1) As of cutoff date
(2) All weighted averages (WA) are weighted by securitization value as of cutoff date

AUTO LEASE GROUPED RESIDUAL DATA

DEAL OFFERING

	Distributional Groups			Information Required (2)			
	Vehicle Type (1)	**Original Term**	**Scheduled Termination Date (2)**	**Number Of Leases**	**Aggregate Acquisition Cost**	**Aggregate Securitization Value**	**Aggregate Securitization Residual Value**
	Car	<=24	Q1 2010				
	CUV	25-36	Q2 2010	For each category at the left, a value will be provided for each of the above.			
	SUV	37+	Q3 2010				
	Truck		Q4 2010				
	Other		Q1 2011				
			Q2 2011				
			Q3 2011				
			Q4 2011				
			Q1 2012				
			Q2 2012				
			Q3 2012				
			Q4 2012				
			Q1 2013				
			Q2 2013				
			Q3 2013				
			Q4 2013				
Categories	5	3	16				
Cumulative	5	15	240	240	480	720	960

(1) Issuers may decide to use Make/Model information if more relevant than Vehicle Type
(2) As of cutoff date

Appendix L-2

Additional Stratifications

AUTO LEASE DATA STRATIFICATIONS

DEAL OFFERING

MAKE

Make	Number of Leases	Aggregate Acquisition Cost	Aggregate Securitization Value	Percentage of Pool	WA FICO	WA Payment to Income	WA Original Term	WA Remaining Term	WA Securitization Rate	WA Scheduled Monthly Payment	Aggregate Adjusted MSRP	Aggregate Securitization Residual Value
Ford	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -
Mercury	-	-	-	-	-	-	-	-	-	-	-	-
Lincoln	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total / WA	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -

TOP TEN MODEL

Model	Number of Leases	Aggregate Acquisition Cost	Aggregate Securitization Value	Percentage of Pool	WA FICO	WA Payment to Income	WA Original Term	WA Remaining Term	WA Securitization Rate	WA Scheduled Monthly Payment	Aggregate Adjusted MSRP	Aggregate Securitization Residual Value
Model 1	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -
Model 2	-	-	-	-	-	-	-	-	-	-	-	-
Model 3	-	-	-	-	-	-	-	-	-	-	-	-
Model 4	-	-	-	-	-	-	-	-	-	-	-	-
Model 5	-	-	-	-	-	-	-	-	-	-	-	-
Model 6	-	-	-	-	-	-	-	-	-	-	-	-
Model 7	-	-	-	-	-	-	-	-	-	-	-	-
Model 8	-	-	-	-	-	-	-	-	-	-	-	-
Model 9	-	-	-	-	-	-	-	-	-	-	-	-
Model 10	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total / WA	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -

VEHICLE TYPE

Vehicle Type	Number of Leases	Aggregate Acquisition Cost	Aggregate Securitization Value	Percentage of Pool	WA FICO	WA Payment to Income	WA Original Term	WA Remaining Term	WA Securitization Rate	WA Scheduled Monthly Payment	Aggregate Adjusted MSRP	Aggregate Securitization Residual Value
Car	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -
CUV	-	-	-	-	-	-	-	-	-	-	-	-
SUV	-	-	-	-	-	-	-	-	-	-	-	-
Truck	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total / WA	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -

AUTO LEASE DATA STRATIFICATIONS

DEAL OFFERING

ORIGINATION YEAR

Origination Date	Number of Leases	Aggregate Acquisition Cost	Aggregate Securitization Value	Percentage of Pool	WA FICO	WA Payment to Income	WA Original Term	WA Remaining Term	WA Securitization Rate	WA Scheduled Monthly Payment	Aggregate Adjusted MSRP	Aggregate Securitization Residual Value
2006	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -
2007	-	-	-	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-	-	-	-
Total / WA	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -

ORIGINAL SCHEDULED TERMINATION DATE

Scheduled Termination Date	Number of Leases	Aggregate Acquisition Cost	Aggregate Securitization Value	Percentage of Pool	WA FICO	WA Payment to Income	WA Original Term	WA Remaining Term	WA Securitization Rate	WA Scheduled Monthly Payment	Aggregate Adjusted MSRP	Aggregate Securitization Residual Value
Q1 2010	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -
Q2 2010	-	-	-	-	-	-	-	-	-	-	-	-
Q3 2010	-	-	-	-	-	-	-	-	-	-	-	-
Q4 2010	-	-	-	-	-	-	-	-	-	-	-	-
Q1 2011	-	-	-	-	-	-	-	-	-	-	-	-
Q2 2011	-	-	-	-	-	-	-	-	-	-	-	-
Q3 2011	-	-	-	-	-	-	-	-	-	-	-	-
Q4 2011	-	-	-	-	-	-	-	-	-	-	-	-
Q1 2012	-	-	-	-	-	-	-	-	-	-	-	-
Q2 2012	-	-	-	-	-	-	-	-	-	-	-	-
Q3 2012	-	-	-	-	-	-	-	-	-	-	-	-
Q4 2012	-	-	-	-	-	-	-	-	-	-	-	-
Q1 2013	-	-	-	-	-	-	-	-	-	-	-	-
Q2 2013	-	-	-	-	-	-	-	-	-	-	-	-
Q3 2013	-	-	-	-	-	-	-	-	-	-	-	-
Q4 2013	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total / WA	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -

REMAINING TERM

Remaining Term	Number of Leases	Aggregate Acquisition Cost	Aggregate Securitization Value	Percentage of Pool	WA FICO	WA Payment to Income	WA Original Term	WA Remaining Term	WA Securitization Rate	WA Scheduled Monthly Payment	Aggregate Adjusted MSRP	Aggregate Securitization Residual Value
0-6	-	$ -	$ -	- %	-	- %	-		-	-	$ -	$ -
7-12	-	-	-	-	-	-	-	-	-	-	-	-
13-24	-	-	-	-	-	-	-	-	-	-	-	-
25-36	-	-	-	-	-	-	-	-	-	-	-	-
37-48	-	-	-	-	-	-	-	-	-	-	-	-
>= 49	-	-	-	-	-	-	-	-	-	-	-	-
Total / WA	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -

AUTO LEASE DATA STRATIFICATIONS

DEAL OFFERING

TOP TEN STATES

State	Number of Leases	Aggregate Acquisition Cost	Aggregate Securitization Value	Percentage of Pool	WA FICO	WA Payment to Income	WA Original Term	WA Remaining Term	WA Securitization Rate	WA Scheduled Monthly Payment	Aggregate Adjusted MSRP	Aggregate Securitization Residual Value
State 1	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -
State 2	-	-	-	-	-	-	-	-	-	-	-	-
State 3	-	-	-	-	-	-	-	-	-	-	-	-
State 4	-	-	-	-	-	-	-	-	-	-	-	-
State 5	-	-	-	-	-	-	-	-	-	-	-	-
State 6	-	-	-	-	-	-	-	-	-	-	-	-
State 7	-	-	-	-	-	-	-	-	-	-	-	-
State 8	-	-	-	-	-	-	-	-	-	-	-	-
State 9	-	-	-	-	-	-	-	-	-	-	-	-
State 10	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total / WA	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -

LEASE FACTOR

Lease Factor	Number of Leases	Aggregate Acquisition Cost	Aggregate Securitization Value	Percentage of Pool	WA FICO	WA Payment to Income	WA Original Term	WA Remaining Term	WA Securitization Rate	WA Scheduled Monthly Payment	Aggregate Adjusted MSRP	Aggregate Securitization Residual Value
0.00 to 0.99%	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -
1.00 to 1.99	-	-	-	-	-	-	-	-	-	-	-	-
2.00 to 2.99	-	-	-	-	-	-	-	-	-	-	-	-
3.00 to 3.99	-	-	-	-	-	-	-	-	-	-	-	-
4.00 to 4.99	-	-	-	-	-	-	-	-	-	-	-	-
5.00 to 5.99	-	-	-	-	-	-	-	-	-	-	-	-
6.00 to 6.99	-	-	-	-	-	-	-	-	-	-	-	-
7.00 to 7.99	-	-	-	-	-	-	-	-	-	-	-	-
8.00 to 8.99	-	-	-	-	-	-	-	-	-	-	-	-
9.00 to 9.99	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to 10.99	-	-	-	-	-	-	-	-	-	-	-	-
11.00 to 11.99	-	-	-	-	-	-	-	-	-	-	-	-
12.00 to 12.99	-	-	-	-	-	-	-	-	-	-	-	-
13.00 to 13.99	-	-	-	-	-	-	-	-	-	-	-	-
14.00 to 14.99	-	-	-	-	-	-	-	-	-	-	-	-
15.00 to 15.99	-	-	-	-	-	-	-	-	-	-	-	-
16.00 to 16.99	-	-	-	-	-	-	-	-	-	-	-	-
17.00 to 17.99	-	-	-	-	-	-	-	-	-	-	-	-
18.00 to 18.99	-	-	-	-	-	-	-	-	-	-	-	-
>= 19.00	-	-	-	-	-	-	-	-	-	-	-	-
Total / WA	-	$ -	$ -	- %	-	- %	-	-	-	-	$ -	$ -

Appendix L-3

Grouped Data (Ongoing)

AUTO LEASE GROUPED CREDIT DATA

ON-GOING MONTHLY

	Distributional Groups			Information Required															
				End of Reporting Period			Number of Accounts					Amounts Applied During Reporting Period							
	FICO	Payment To Income	Delinquency	Number Of Leases (1)	Aggregate Acquisition Cost	Aggregate Securitization Value	Repossessed	Paid Off (3)	Returned and Sold (4)	Charged-off (5)	Repurchased	Payments (6)	Pay Off Amounts (3)	Returned and Sold	Liquidation Proceeds (7)	Amounts Charged-off (8)	Post Charge-off Recoveries	Repurchase Amounts	Servicer Advances (9)
	Up to 599	<=10	0-30																
	600-649	11-15	31-60																
	650-699	16-20	61-90																
	700-749	>20	91-120																
	750+	Other	>120																
	No FICO score		Other (2)																
Categories	6	5	6																
Cumulative	6	30	180	180	360	540	720	900	1,080	1,260	1,440	1,620	1,800	1,980	2,160	2,340	2,520	2,700	2,880

For each category at the left, a monthly value will be provided for each of the above fields.

(1) Includes leases returned or repossessed but not yet sold
(2) Leases returned but not sold
(3) Includes paid-in-full in accordance with the servicer's policies (small balance write-offs)
(4) Includes leases that were returned with uncollected lease end charges
(5) Includes charge-offs due to skips and repossessions
(6) Includes rents, extension fees, lease end charges, etc.
(7) Amounts received on repossessions, including auction proceeds, before charge-off
(8) Includes small balance write-offs, unpaid lease-end charges, and charge-offs due to skips and repossessions
(9) Include if applicable

AUTO LEASE GROUPED RESIDUAL DATA

ON-GOING MONTHLY

	Distributional Groups			As of End of Reporting Period			Number of Accounts During Month			Amounts Applied During Month		
	Vehicle Type (1)	Original Term	Scheduled Termination Date (2)	Number Of Leases (3)	Aggregate Securitization Value	Aggregate Securitization Residual Value	Paid Off (4)	Returned and Sold	Repurchased	Pay Off Amounts	Returned and Sold	Repurchase Amounts
	Car	<=24	Q1 2010									
	CUV	25-36	Q2 2010									
	SUV	37+	Q3 2010									
	Truck		Q4 2010									
	Other		Q1 2011									
			Q2 2011									
			Q3 2011									
			Q4 2011									
			Q1 2012									
			Q2 2012									
			Q3 2012									
			Q4 2012									
			Q1 2013									
			Q2 2013									
			Q3 2013									
			Q4 2013									
Categories	5	3	16									
Cumulative	5	15	240	240	480	720	960	1,200	1,440	1,680	1,920	2,160

For each category at the left, on-going monthly values will be provided for each of the above fields.

(1) Issuers may decide to use Make/Model information if more relevant than Vehicle Type
(2) As of deal cutoff date
(3) Includes leases returned or repossessed but not yet sold
(4) Includes paid-in-full in accordance with the servicer's policies (small balance write-offs)

Appendix F-1

Grouped Data (Monthly)

Key Monthly Data for [Name of Trust]

Dealer Risk Rating Group	Geographic Region	Geographic Division	Number of Accounts	Percentage of Accounts	Loan Age Distribution (Days Outstanding) 0-120	121-180	181-270	Over 270	Beginning of Period Principal Balance	Principal Collections	Principal Adjustments	Principal Reduction - Redesignated Accounts	Defaulted Loans	New Loans	Added Loans (additional designated accounts)	End of Period Principal Balance	Percentage of End of Period Principal Balance	Payment Rate	Losses or (Recoveries)	Interest Collections	Used Vehicle Balance
I	Midwest	East North Central																			
I	Midwest	West North Central																			
I	Northeast	Middle Atlantic																			
I	Northeast	New England																			
I	Northeast	South Atlantic																			
I	South	East South Central																			
I	South	South Atlantic																			
I	South	West South Central																			
I	West	Mountain																			
I	West	Pacific																			
II	Midwest	East North Central																			
II	Midwest	West North Central																			
II	Northeast	Middle Atlantic																			
II	Northeast	New England																			
II	Northeast	South Atlantic																			
II	South	East South Central																			
II	South	South Atlantic																			
II	South	West South Central																			
II	West	Mountain																			
II	West	Pacific																			
III	Midwest																				
III	Northeast																				
III	South																				
III	West																				
IV	National																				

Appendix F-2

Grouped Data (Quarterly)

Age Distribution of Loans by Risk Group*

Days Outstanding	Risk Group	Three Months Ended March 31, 2010	2009	Year Ended December 31, 2009	2008	2007	2006	2005
0-120								
	I	%	%	%	%	%	%	%
	II							
	III							
	IV							
0-120 Total		%	%	%	%	%	%	%
121 - 180								
	I	%	%	%	%	%	%	%
	II							
	III							
	IV							
121 - 180 Total		%	%	%	%	%	%	%
181 - 270								
	I	%	%	%	%	%	%	%
	II							
	III							
	IV							
181 - 270 Total		%	%	%	%	%	%	%
Over 270								
	I	%	%	%	%	%	%	%
	II							
	III							
	IV							
Over 270 Total		%	%	%	%	%	%	%

* Published Quarterly

Age Distribution of Loans by Financed Vehicle Type*

Vehicle Type Description			Percentage of Trust	Loan Age Distribution by Days Outstanding			
Line	**Make**	**Model**		**0-120**	**121-180**	**181-270**	**Over 270**
New			%	%	%	%	%
New							
New							
New							
New							
New							
New							
New							
New							
New							
New							
New							
New							
New							
New							
New							
New							
Used							
New							
New							
New							
Used							
New							
New							
Other New Models							
Other Used Models							
Total			%	%	%	%	%

Note: Asset types greater than 2% will be displayed individually
* Published Quarterly

Account Balance Distribution*

Range of Account Balances	Risk Group	Principal of Loans Outstanding	Percentage of Principal of Loans	Number of Designated Accounts	Percentage of Designated Accounts
Less than 1,000,000	I	$	%		%
Less than 1,000,000	II				
Less than 1,000,000	III				
Less than 1,000,000	IV				
1,000,000 to 2,499,999	I				
1,000,000 to 2,499,999	II				
1,000,000 to 2,499,999	III				
1,000,000 to 2,499,999	IV				
2,500,000 to 4,999,999	I				
2,500,000 to 4,999,999	II				
2,500,000 to 4,999,999	III				
2,500,000 to 4,999,999	IV				
5,000,000 to 7,499,999	I				
5,000,000 to 7,499,999	II				
5,000,000 to 7,499,999	III				
7,500,000 to 9,999,999	I				
7,500,000 to 9,999,999	II				
7,500,000 to 9,999,999	III				
7,500,000 to 9,999,999	IV				
Over 10,000,000	I				
Over 10,000,000	II				
Over 10,000,000	III				
Over 10,000,000	IV				
Total		$	%		%

* Published Quarterly